

## Owner Financing

You have found your dream property in Costa Rica, which you are interested in purchasing, and you want to move forward. If you do not have enough capital to make the purchase, you might consider applying for a mortgage or credit at a bank.

Currently, times are difficult for banks, especially in the United States and other developed countries, and therefore, it is not easy to get a mortgage or credit. If you consider getting financing from a bank in Costa Rica and you research credit products there, you will realize very quickly that the interest rates from Costa-Rican banks are everything but attractive, particularly for those who are used to lower rates. Additionally, the application process is a lot more complicated than in the United States.

However, there is another option &ndash; owner financing.

If you wish to buy a home but do not have the credit and cannot afford the down payment, owner financing is an option. Owner financing, or seller financing, is a process by which the seller offers a part or all of the home purchase price with or without a mortgage on the property.

In Costa Rica, there are plenty of motivated sellers who are willing to owner finance, which might be your best option, if any of the following situations apply to you:

- You do not qualify for traditional loans.
- You do not have enough funds to pay the closing costs on a mortgage.
- You wish to avoid paying a large sum of fees. (This is where owner financing can save you thousands of dollars in loan costs.)
- You wish to avoid the lengthy loan process and close on the home within a few days. (This can be done through owner financing or seller financing.)

If the seller does not immediately need all of the proceeds from the sale, owner-financing a home can be a great investment. When you put money in the stock market, you might get a 6% return, or perhaps a little more. Or you could lose 5, 10, or 20% of your investment. By contrast, owner financing gives the seller a guaranteed return on the interest rate on the loan, whatever it is.

Although sellers who owner-finance technically can charge a higher interest rate than banks, in Costa Rica, the majority do not, as they are eager to close a deal.

The main risk to the seller is that the buyer will fail to make the monthly payments (known as "defaulting" on the loan); but in that case, the seller can reclaim the house ("foreclose" on it) and sell it to get his or her money back. This is possible, because the mortgage will be registered in the national registry in account of the buyer. The seller is safe, as long as he or she can sell the house for at least as much as is left on the loan.