

ALL-INCLUSIVE-DEED OF TRUST



An all inclusive deed of trust is also known as a wrap-around loan. This means that a preexisting loan is absorbed into a fresh loan that is made by a property's seller.

For example, if a property should sell for a total of \$200,000, but there is a preexisting trust deed on the property that still has a balance of \$150,000, with an interest rate of 7 percent, and the buyer is able to put a \$20,000 down payment on the purchase of the property, an all inclusive deed of trust may be formed at \$180,000, with an interest rate of 8 percent. This means that the all inclusive deed of trust wrapped around the preexisting trust deed of \$150,000, while the seller made 1 percent on that amount at 8 percent, on the \$20,000, managing to increase the yield.

At this point, the buyer of the property will make his or her loan payments based on the remaining balance of \$180,000, and the seller continues to make the payments that s/he was already paying off from the original trust deed for that property.

One benefit of the all inclusive deed of trust is its flexibility and ability to negotiate all of the terms, including the payment amount, the rates of interest, the maturity date, any late charges, and the prepayment penalty.

If the original trust deed included a clause of "due on sale", then it will be required that both legal and tax

counsel be sought out in order to create a legal and practical all inclusive deed of trust.

If you are interested in an all inclusive deed of trust, there are a few steps that you should take.

These include:

- Finding out all of the relevant information regarding the loan that you would be assuming, such as the payments that need to be made, the interest rate, the date of maturity, the balance of the loan, etc.
- Executing an all inclusive deed of trust in favor of the seller of the property with the same terms that are used by the original trust deed loan.
- Manage the rest of the trust deed transaction as though it was a standard unassumable loan.

All inclusive deeds of trust allow for a great deal more flexibility and options when it comes to buying and selling properties than you would have with a typical mortgage. Consider it for your next real estate investment.



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