

BOX WORKS HOMES
SPECIAL SECOND MORTGAGE OPPOTURNITY

NO PAYMENT – NO INTEREST LOAN!

The Developer has arranged for special, time limited second mortgage financing that requires no monthly payment and no interest. The loan will be repaid when the buyer decides to sell the condominium, and can be forgiven if the resale price is lower than the original acquisition price. At resale, the proceeds first pay down the balance on the first mortgage on the property and then pay down this special Developer Loan. If there is a gain on the sale of the property, buyer pays Developer a proportion of the gain on the sale equivalent to the proportion of the developer loan to the original sale price.

FOR EXAMPLE:

Unit 124 purchase price: \$269,000

Buyer down payment (5%): \$ 13,450

Developer Loan (at 15%): \$ 40,350

Total down payment (20%): \$ 53,800

First Mortgage Amount: \$215,200

What happens when the buyer decides to sell the property?

Scenario 1: buyer sells the property and there is a gain on the sale

Sale price:	\$299,000
Seller repays First Mortgage:	\$215,200 (less principal paid on the loan)
Seller repays Developer Loan:	<u>\$ 40,350</u>
Sale Proceeds	\$ 43,450

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Payment due on Developer Loan (15% of Sale Proceeds):	<u>\$ 6,518</u>
Owner Gain on Sale:	<u>\$ 36,932</u>

Scenario 2: buyer sells the property in a down market and there is a loss on the sale

Sale Price:	\$250,000
Seller Repays First Mortgage:	\$215,200
Seller Repays Developer Loan	\$ 34,800
Remaining Amount due on Developer Loan is forgiven:	\$ 5,550