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## Federal bill to limit seller-financed real estate deals

BY ANJALI FLUKER

Brevard County real estate investor Charles Fischer last month financed the sale of a home he put on the market, helping out the buyer whose credit wasn't good enough to get a bank loan.

That put the buyer — who started his own lawn care business after losing his job — and his three daughters into a home at the same price it would have cost to rent one.

But a proposed law working its way through the U.S. Senate could severely limit seller-funded/owner-financing deals involving both residential and commercial real estate.

Senate Bill 3217, introduced in April by U.S. Sen. Christopher Dodd, D-Conn., deals mostly with improving accountability and transparency in the financial system, along with ending big-bank bailouts to protect consumers. The bill has no co-sponsor yet. But the bill language also includes a provision that would limit property owners from providing buyers with financing for a sale to once every three years. And without seller funding, which is more prevalent in today's real estate market where bank loans are few and far between, transaction volume could decline even more.

Although seller-funded deals are difficult to track, Personal Real Estate Investor Magazine included data in a report that assumed 1 percent of the nation's 5.8 million real estate transactions in 2008 were seller-funded, for \$98 million in seller-financed sales.

Seller financing "is becoming a significant part of an investor's



Augie Bylott at one of his properties in Orlando's Richmond Estates neighborhood.

business," said Fischer, president of Lake Mary-based Central Florida Realty Investors Association (CFRI) and principal of Cocoa-based Indian River Investors Group Inc., a real estate investment firm he owns with his wife. "I think the intended consequence of this bill was to regulate lending, but they threw the seller/owner financing provision into it. We're still scratching our heads about that."

### Quotable

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#### S.B. 3217 would make it harder

*for home sellers, such as seniors or individuals who wish to sell their home without a real estate agent (known as for-sale-by-owner)."*

**-Augie Bylott**

The legislation doesn't completely deter sellers from doing more financing, but it would require them to get a mortgage broker's license to do more than one such transaction in a three-year period. And securing a mortgage broker's license in Florida

requires 24 hours of classroom education, taking an extensive written exam and paying more than \$200 for the license.

Though that's not a difficult investment for most investors, it would make it harder for other home sellers, said Augie Bylott, a managing member of Champions Gate-based Homeowner Resource LLC.

For example, seniors who own their own home or have investment homes and want to sell them to move to a nursing home would have to study for and pass an exam in order to finance their home sales, he said. And homeowners who wish to sell homes without a real estate agent — known as for-sale-by-owner — would be limited in offering buyers a chance to pay in installments.

About 5 percent of all Americans own three or more properties, Fischer said.

The bill could prohibit individual condo unit sales or the sale of older mobile homes, because financing for those types of properties all but disappeared, Bylott said. "What [legislators] have done is grouped you and me in with Bank of America and Countrywide."

Dodd was unavailable for comment by press time.