

Contract for Deed Home Buyers' Rights and Obligations

Illinois Legal Aid

What is a Contract for Deed?

The Contract for Deed is a common method used by low-income persons to buy a home. You should be careful. A Contract for Deed gives you fewer rights and protections than a mortgage loan. You should always talk with a lawyer before signing a Contract for Deed.

Most Contract for Deed sales need only a small down payment. You agree to pay the seller or the seller's real estate agency the full price over several years. You also agree to pay interest on the price. You will receive a deed and full ownership only after the last payment.

What Do We Need for a Contract for Deed?

You must get a written contract. You and the seller should both sign it. You should make sure it has all the terms that you and the seller agreed to. You can only enforce the agreement with a written contract.

Should I Record the Contract?

You should record the Contract for Deed in the county where the property is located as soon as possible. Recording the contract helps protect you. You should still record the contract even if it states it "cannot" be recorded. Bring the signed contract to the county courthouse to officially record the contract.

Who is Responsible for Repairs?

You will handle all repairs after you buy the property. The seller may have to repair certain problems in the home that existed before you bought it if:

1. The seller has agreed to make the repairs. If the agreement is in the Contract for Deed, the seller can be forced to do the repairs. Always get it in writing.
2. The seller knew about the defects from city inspections and does not tell you. . If seller does not tell you about the violations, you can call off the contract. You may also get some of your money back.
3. The seller is guilty of fraud or misrepresentation. If the seller lies about the home's condition to convince you to buy it, you may be able to cancel the contract. You may also be able to force the seller to repair certain problems. The written contract should include the seller's statements about the house.

Who is Responsible for Real Estate Taxes and Homeowner's Insurance?

You must pay for real estate taxes and homeowner's insurance on the property after the sale. Sometimes the seller owes back taxes. You should check to see if any back taxes are owed. If there are unpaid back taxes, the Contract for Deed should say who will pay them.

You should make sure to pay the real estate tax bills and homeowner's insurance bills to the right place. Always remember to pay the bills when they are due.

Sometimes a buyer pays for real estate taxes and homeowner's insurance by an escrow account. The monthly payments to the account will increase each year, as costs increase.

How Can I Prevent the Loss of my Home?

If you receive a notice of foreclosure or a court summons, you should contact a lawyer as soon as possible.

If you fail to make payments under a Contract for Deed, the seller can end the contract. The seller must tell you that they want to end the contract. The seller must wait 30 days before attempting to go to court and evict you. If you pay what is due within those 30 days, usually the case won't go to court. The contract will continue.

If the case does go to court, you will argue your case in front of a judge. The seller will also argue their case. If the judge rules against you, you may still have a chance to keep the contract. To do so, you must have already paid 25% of the total price of the contract. If you have, then the court must grant at least 60 days (up to 180 days) to pay the seller the amount due. If you pay what is due, you can keep the house and continue to pay according to the contract. If you have not paid over 25% of the total price, the judge might still grant the extra time. However, the judge could also give the house to the seller, evict you, and cancel the contract.