



FACULTY OF JURIDICAL SCIENCES

COURSE: B.A.LL.B. 4th Semester

SUBJECT: ENGLISH-III

SUBJECT CODE: BAL. 403

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Lecture-5



Contract deed

Introduction

This Contract for Deed is also known as a Land Contract, Agreement for Deed, Contract Sale or Real Estate Instalment Agreement. This contract allows the seller to retain title to the property until the buyer has made all payments under the agreement. In essence, the seller finances the purchase and holds the property title or deed as security. The buyer who makes instalment payments is entitled to possession and equitable title to the property while the seller holds legal title and is liable for any mortgage payments. A Contract for Deed is useful when a buyer cannot obtain traditional financing. Generally, the closing costs for this transaction are lower than those involving a bank or mortgage company. The seller can also choose the type of instalment payment method (i.e., with or without interest, balloon payment). It is imperative that a Contract for Deed be set out in writing and that both buyer and seller understand all the terms of this contract. Under a Contract for Deed, the buyer makes regular payments to the seller until the amount owed is paid in full or the buyer finds another means to pay off the balance. The seller retains legal title to the property until the balance is paid; the buyer gets legal title to the property once the final payment is made. If the buyer defaults on the payments, the seller can repossess the property. In some states, a seller who repossesses a property must reimburse the buyer for the fair value of improvements to the house, as well as a reasonable amount for rent.

Contracts for deeds are valid options, and even the primary option for seller financing in most states. The process typically starts as a negotiation between the buyer and seller. Generally, stock and boilerplate terms cannot apply, but it can be for any amount of time that the buyer and seller agree on. Interest rates on a Contract for Deed are not regulated, so they can be as high or as low as the buyer and seller can agree on. Similarly, the payments can be structured in any fashion that is agreeable to both parties. In some cases, the value of the house may be divided into equal payments so that the full balance is paid off by the end of the term. In others, regular payments are set up with the balance coming due in a balloon payment at the end of the term. Typically, these contracts can be renegotiated so long as both parties are willing.

This Contract for Deed for use in India contains the following provisions:

- **Parties:** Sets forth the names of both the seller and buyer involved in the transaction;
- **Property:** Sets forth the location and detailed legal description of the property;
- **Included Property:** Identifies what is included with the property (i.e., buildings, right-of-way, fixtures, appliances, etc.);
- **Excluded Property:** Identifies specific items which are excluded as part of this sale;
- **Price and Payment:** Sets out the price for the property and what type, when and how payments will be made;
- **Security:** This contract will act as security for the performance and payments by the buyer;
- **AS-IS Condition:** Buyer will accept the property AS-IS without any type of warranty;
- **Deed and Evidence of Title:** Seller will deliver a statutory or general warranty deed after buyer fulfils the obligations under this contract;
- **Risk of Loss and Insurance:** The buyer agrees to keep the property insured against loss by negligence, fire or other casualty;
- **Prepayment:** The buyer may prepay the entire balance without prepayment penalty and without notice;

- **Possession of Property:** Buyer shall have possession of the property as long as all contract terms are complied with;
- **Default by Either Party:** Sets out the consequences of any default by either the seller or buyer;
- **Mortgage by Seller:** Seller is authorized to place a mortgage on the property;
- **Reinstatement after Acceleration:** Buyer may reinstate this contract in the event of default and acceleration according to law;
- **Assignment of Sale by Buyer:** Buyer will not assign his interest in the property without consent of the seller.

MCQ

1. Contract deed means

- a. Land Contract,
- b. Agreement for Deed
- c. Sale or Real Estate Instalment Agreement
- d. All the above

2. In which section define contract under Indian Contract Act 1872

a.2(h)

b.2(i)

c.2(j)

d.2(k)

3. An agreement enforceable by law known as

a. contract

b. void contract

c. voidable contract

d. none of the above

4. Who are competent to contract

a. above 18 years

b. below 18 years

c. 18 years

d. none of the above

5. sale deed is executed by

a. only seller

b. only buyer

c. both seller and buyer

d. seller, buyer and witness