SUNWEST ESCROW · SERVING NEW MEXICO SINCE 1987

The Buyer's Guide to Owner Financing

How New Mexicans buy homes and land without a bank — what it takes, what it costs, and how to tell if it's right for you.

SUNWEST ESCROW, LC
Serving New Mexico Since 1987

Straight answers

The benefits and the risks, side by side. No sales pitch.

Built for New Mexico

Real Estate Contracts and long-term escrow, explained.

Written by a neutral party

We service contracts. We don't sell homes or loans.

SUNWEST ESCROW, LC

LONG-TERM ESCROW SERVICING · ALBUQUERQUE, NEW MEXICO

FREE BUYER'S GUIDE

START HERE

If a bank has said no — or if you've never asked

Most people are taught there is exactly one way to buy a house: save for years, apply to a bank, and hope underwriting says yes. In New Mexico, that has never been the only way. Owner financing — where the seller carries the note instead of a bank — has been a normal, legal, and widely used path to ownership here for generations.

It is how a lot of rural land changes hands. It is how self-employed people with good income and messy tax returns become homeowners. It is how buyers who are two years out from a bankruptcy, or eight months into a new business, or sitting on cash but short on documentation, stop renting.

It is also not for everyone. Some buyers should absolutely wait, repair their credit, and get a conventional loan. This guide will tell you plainly which one you are.

THREE THINGS TO KNOW BEFORE YOU READ ANOTHER PAGE

1. This is a real, ordinary transaction. You will sign documents at a title company, get title insurance, record your interest with the county, and make monthly payments. It is not a handshake deal or a rent-to-own gimmick.

2. It is not right for every buyer or every property. The wrong terms on the wrong property can cost you everything you put in. We will show you exactly how that happens so you can avoid it.

3. It works best when it's boring. Written down. Recorded. Serviced by a neutral third party who keeps the records and holds the deed. That last part is where a company like ours comes in.

Why we wrote this

Sunwest Escrow is a long-term escrow servicing company. We are not a lender, a broker, or a title company. We don't earn a commission when you buy, and we don't care which house you choose. What we do is hold the deed and the documents, receive your payments, keep the official record, and follow the contract exactly as written — for both sides, without taking sides.

That neutrality is the reason we can be honest with you. We have serviced these contracts for decades — watching thousands run 30 years and pay off perfectly, and a smaller number fall apart. The difference is almost never luck. It's preparation.

What's inside

1. What owner financing actually is — and how it differs from a mortgage

2. Why buyers choose it — the real advantages

3. The honest side — trade-offs, costs, and limitations

4. Is this you? — who it fits, and who should wait

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SECTION 1

What owner financing actually is

In an owner-financed sale, the seller takes the place of the bank. Instead of handing the seller a lump sum borrowed from a lender, you agree to pay the seller directly over time — with interest — under a written contract you both negotiate.

In New Mexico, this is usually done through a **Real Estate Contract**, which almost everyone here calls an **REC**. The REC spells out the price, the down payment, the interest rate, the monthly payment, how long you have to pay, what happens if you're late, and everything else the two of you agree to.

> **IN PLAIN ENGLISH**
>
> You move in, use the property as your own, pay the taxes and insurance, paint the walls, and build equity with every payment. The seller keeps **legal title** as security until the contract is paid off — the same way a bank keeps a lien on a mortgaged house. You hold **equitable title**, which is your ownership interest and your right to possess and use the property. When you make the final payment, the deed is released to you and you own it outright.

How it compares to a bank mortgage

	BANK MORTGAGE	OWNER FINANCING (REC)
Who lends	A bank or mortgage company	The seller of the property
Approval	Credit score, debt ratios, documented income, underwriting guidelines	Whatever the seller decides matters to them — often the down payment and your story
Terms	Standardized products; little room to negotiate	Negotiated line by line between you and the seller
Timeline to close	Typically 30–60 days, subject to underwriting	Often much faster; limited by title work and document prep
Down payment	Program-driven (3%–20%+)	Negotiated; often 10%–30% depending on the seller's comfort
Interest rate	Set by the market and your credit profile	Set by agreement; may be above or below market
Hard-to-finance property	Often disqualified (raw land, no comparable sales, unusual construction, off-grid)	Frequently the only realistic path
Legal title during the term	Transfers to you at closing; lender holds a lien	Held by the seller as security; deed held in escrow until payoff
Who collects payments	A loan servicer	A neutral escrow company (strongly recommended)
If you default	Foreclosure — a court process that generally takes many months	Contract remedies under the REC, which are typically faster

A QUICK EXAMPLE

A seller lists a $260,000 home. A buyer with strong income but only two years of self-employment history can't get conventional approval. They agree on $265,000 with $35,000 down, 6.75% interest, amortized over 30 years, with the balance due in full at year seven. The buyer moves in, makes payments to an escrow company, gets a documented payment history, and refinances into a bank loan in year four — well ahead of the balloon.

Illustration only. Every deal is negotiated separately, and the numbers above are not a quote or a recommendation.

The words you'll hear

REC — Real Estate Contract. The written agreement that governs the whole deal.

Equitable title — your ownership interest and right to use the property during the contract.

Legal title — held by the seller as security until you pay in full.

Impounds — extra money collected monthly and set aside for taxes, insurance, or HOA dues.

Amortization — the schedule showing how each payment splits between interest and principal.

Balloon — a date when the entire remaining balance comes due at once.

Payoff quote — the exact amount required to close out the contract, good through a stated date.

Default — failing to meet a term of the REC, most often by missing payments.

SECTION 2

Why buyers choose owner financing

These are the reasons buyers come to owner financing and stay glad they did. Not every advantage will apply to your situation — but if two or three of these describe you, this is worth a serious look.

1. Your whole story counts, not just your score

Banks evaluate a narrow set of numbers. A seller can consider the things a score doesn't capture: a large down payment, ten years in the same trade, cash reserves, a business that finally turned profitable, a divorce that's behind you. Sellers say yes to people banks decline every day — not out of charity, but because a well-secured contract with a real down payment is a good investment.

2. The terms are negotiable — genuinely

This is the single most underrated advantage. Payment date, interest rate, down payment, length of the term, whether there's a balloon, whether you can pay extra without penalty, how late fees work, whether taxes and insurance are impounded — all of it is on the table. In a bank loan, almost none of it is. A buyer with irregular income can negotiate a payment structure that matches how the money actually arrives.

3. It opens up properties banks won't touch

Raw land. Off-grid or owner-built homes. Properties with no recent comparable sales. Manufactured homes on acreage. Fixer-uppers that won't pass a lender's condition requirements. Small-dollar purchases where a bank's fixed costs make the loan uneconomic. In much of New Mexico, owner financing isn't the alternative — it's the only financing available.

4. Closing is usually faster and simpler

No underwriter, no lender-required appraisal, no conditions list that grows every week. The timeline is driven mostly by title work and document preparation. Buyers competing for a property can often close in a fraction of the time a financed buyer needs — which is itself a negotiating advantage.

5. Lower closing costs

You're not paying origination fees, discount points, underwriting fees, or the stack of lender charges attached to a conventional loan. You will still pay for title work, title insurance, recording, document preparation, and escrow setup — but the total is typically meaningfully lower.

6. You start building equity immediately

Every payment on an amortizing contract reduces what you owe. Rent buys you nothing. From day one you're paying down a balance on a property you control, in a home you can improve, with the appreciation running in your favor.

7. It creates a documented path to a bank loan

This is the strategy most successful owner-finance buyers use. A professionally serviced escrow account produces a complete, verifiable payment history. Two to three years of on-time payments — documented by a neutral third party, not by the seller's memory — is exactly the kind of evidence a lender wants when you refinance into conventional financing. Owner financing is often a bridge, not a destination.

8. A neutral escrow company protects you, not just the seller

When a licensed escrow company services the contract, your payments are recorded by an impartial party, your history is available to you online, the deed is held safely until you've earned it, and neither side gets to rewrite the terms after the fact. Section 5 covers this in detail — it's the piece that turns a private arrangement into a professional transaction.

THE PATTERN WE SEE MOST OFTEN

A buyer who couldn't get financed buys a home on contract. They pay on time for three or four years while their situation stabilizes. Somewhere in there they take their payment history to a lender and refinance into a conventional loan — or they decide the terms they negotiated are better than anything a bank would offer, and they simply keep paying until the contract is satisfied.

Both endings are wins. The house was bought, the equity was built, and the years that would have gone to rent went into ownership instead.

Since 1987

Sunwest Escrow has serviced long-term New Mexico contracts — many running the full 30 years.

6 years

How long we retain your complete payment history after an account closes.

$0

Commission we earn on your purchase. We are neutral by law and by design.

SECTION 3

The honest side: trade-offs and limitations

A guide that only lists advantages isn't a guide, it's an advertisement. Here is what owner financing costs you, in plain terms. Read this section twice. Most of these are manageable if you know about them before you sign — and expensive if you find out afterward.

THE TRADE-OFFS

- ✕ **Interest rates are often higher.** The seller is taking a risk a bank wouldn't take, and the rate usually reflects it. Run the numbers on total interest over the term, not just the monthly payment.
- ✕ **Down payments are often larger.** Many sellers want 10%–30% down. The down payment is the seller's protection, and it's the main reason they're willing to say yes.
- ✕ **Balloon payments are common.** Many RECs amortize over 30 years but require the full remaining balance in year five, seven, or ten. If you can't refinance or pay by that date, you're in default — even with a perfect payment record.
- ✕ **You don't hold legal title until payoff.** Your interest is real and protected, but the deed sits in escrow until the contract is satisfied.
- ✕ **Payments usually don't build your credit score.** Escrow companies generally don't report to the credit bureaus. Your payment history is documented and available to lenders, but it won't automatically raise your FICO score. If credit repair is your goal, plan for that separately.
- ✕ **Default consequences can move faster than foreclosure.** This is the most important sentence in the guide. See Section 10.
- ✕ **Consumer protections work differently.** The federal and state rules that govern bank mortgages don't all apply the same way to seller-financed transactions. This is exactly why you want an attorney reviewing your REC before you sign.
- ✕ **You inherit the property's problems.** There's no lender-required appraisal or inspection forcing anyone to look closely. If the roof is failing, nobody is going to stop the sale but you.
- ✕ **If the seller has an existing mortgage, that's a live risk.** If their loan isn't paid off at closing, their lender could have the right to call it due — and a seller who stops paying their own lender puts your home at risk. Ask directly. See Section 11.
- ✕ **Selling or refinancing later takes coordination.** A payoff quote, a deed release, and county recording all have to happen in the right order. It works smoothly, but it isn't instant.

HOW BUYERS MANAGE EACH OF THESE

Negotiate the rate the same way you'd negotiate the price. Ask for a longer balloon window — or none. Get an inspection even though nobody requires one. Buy an owner's title insurance policy. Confirm in writing whether an underlying loan exists and how it will be handled. Record your contract or a memorandum of it with the county. Insist on a neutral escrow company. Have an attorney read the REC. None of this is exotic; it's just the work.

SECTION 4

Is this you?

Owner financing is a tool. Like any tool, it's excellent in the right hands and dangerous in the wrong ones. Here's how to tell which you are — honestly.

Owner financing tends to work well for...

- ✓ **Self-employed buyers and business owners** whose real income doesn't match their tax returns.
- ✓ **Buyers with a solid down payment but imperfect credit** — a past bankruptcy, medical collections, a thin file, a recent divorce.
- ✓ **Buyers of land, rural property, or unconventional homes** that banks won't finance at any price.
- ✓ **People with reliable income who are close to conventional qualification** and need 24–36 months to get there.
- ✓ **Buyers who need speed** — an estate sale, a family transfer, a competitive property, a lease that's ending.
- ✓ **Buyers purchasing from family or a landlord** where a relationship already exists and both sides want it documented properly.
- ✓ **Investors** adding a property when conventional loan slots are used up or the numbers don't fit a lender's box.

You should probably wait or use a bank if...

- ✗ **You can qualify conventionally right now.** If a bank will lend to you at a lower rate with no balloon, take the bank loan. We'll tell you that to your face.
- ✗ **Your income isn't stable enough to make a fixed payment every month.** The consequences here are less forgiving than a bank loan's. If the payment is a stretch on a good month, it's not the right time.
- ✗ **You have no realistic plan for a balloon payment.** "Something will work out in five years" is not a plan. Know your refinance path before you sign.
- ✗ **You can't cover taxes, insurance, and repairs.** You're the owner now. Nobody is coming to fix the water heater.
- ✗ **The seller refuses a title company, an escrow company, or an attorney review.** That's not a buyer problem. That's a walk-away.
- ✗ **You're being pressured to sign quickly.** Urgency is a sales tactic, not a market condition.
- ✗ **You don't understand the contract.** Not "mostly understand." Understand. Ask until you do.

THE HONEST TEST

Ask yourself one question: **if my situation stayed exactly as it is today for the next three years, could I make this payment every single month without strain?** If the answer is yes, owner financing is likely a strong tool for you. If the answer depends on things improving, wait. The property will not be the last one.

SECTION 5

Escrow in New Mexico: the safety net

In most states, "escrow" means a short-term account that exists for a few weeks around a closing. In New Mexico, it also means something else — and this is the part buyers from out of state are always surprised by.

New Mexico has a **long-term escrow** industry. When a property is sold on a Real Estate Contract, a licensed escrow company holds the signed deed and the contract documents for the entire life of the agreement — frequently thirty years — while receiving your payments, recording them, and disbursing funds to the seller according to the contract.

> **WHY THIS MATTERS TO YOU AS THE BUYER**
>
> Without escrow, you would be mailing checks to a private individual and trusting their bookkeeping. The deed would sit in someone's file cabinet. Twenty years later, when it's time to prove you paid, you'd be relying on their records and their memory — or their heirs'.
>
> With escrow, an independent licensed company holds the deed in safekeeping, records every payment in a permanent ledger, gives you online access to your own history, and releases the deed to you when — and only when — the contract terms are met. Neither party can quietly change the deal.

How the money moves

BUYER	You make your payment — online, by phone, by mail, by automatic bank draft, or in person at the lobby or drive-through.
ESCROW	The payment is recorded in the servicing system, the escrow fee is deducted per the contract, and any impound portion is set aside for taxes and insurance.
SELLER	The remaining funds are disbursed to the seller by check or direct deposit, exactly as the REC directs.
RECORD	Your running balance, payment history, and document file stay available to you for the life of the contract — and for six years after it closes.

Impounds: a small feature worth asking for

If your REC provides for impounds, a portion of each monthly payment is set aside to pay property taxes, insurance premiums, or HOA dues when the bills come due. Instead of a large lump sum landing twice a year, you pay a little each month. For most buyers this is the difference between a tax bill being routine and a tax bill being a crisis. Ask your broker whether impounds are included — and if they aren't, ask whether the seller will agree to add them.

> **WHO SHOULD USE A LONG-TERM ESCROW COMPANY**
>
> **Every buyer and seller in an owner-financed transaction.** There is no version of this where handling it privately is the smarter choice. Escrow is inexpensive relative to what it protects, it removes the single largest source of disputes — disagreement about what was paid and when — and it gives you a professional record you will need if you ever refinance, sell, or need to prove your payment history to anyone.
>
> If a seller resists using an escrow company, treat that as a serious warning sign and read Section 11.

SECTION 6

What an escrow company does — and doesn't

New Mexico law requires an escrow company to remain strictly neutral. We never take sides between buyer and seller. Understanding that boundary up front will save you frustration later — and it's also exactly what makes escrow trustworthy.

WHAT WE DO

- ✓ Receive your payments — online, by phone, by mail, by draft, in the lobby, or at the drive-through
- ✓ Record every payment in a permanent, detailed ledger
- ✓ Disburse funds to the seller exactly as the contract directs
- ✓ Hold the General or Special Warranty Deed and other critical documents in safekeeping
- ✓ Hold and pay impounds for taxes, insurance, or HOA dues when you submit the bills
- ✓ Give you online access to your complete payment history
- ✓ Provide payoff quotes when you're ready to pay off or refinance
- ✓ Confirm that all contract terms are met before funds and documents are released
- ✓ Offer account monitoring and reminders to both parties
- ✓ Offer mediation services to help resolve disputes before they escalate
- ✓ Retain your records for six years after the account closes

WHAT WE DON'T DO

- × Give legal advice, or interpret what a contract term means for you
- × Draft the REC, the deed, or any binding document
- × Negotiate or change terms — those belong to you and the seller
- × Amend a contract; only the parties or their attorneys can do that
- × Represent either side in a dispute or legal proceeding
- × Advise on tax consequences, capital gains, or inheritance
- × Enforce the contract — enforcement requires legal action by a party
- × Sign documents or make decisions on your behalf
- × Prepare or send default notices on a seller's behalf
- × Chase you for payments; you're responsible for submitting them on time
- × Pay a tax or insurance bill from impounds until someone sends us the bill

WHY NEUTRALITY PROTECTS YOU

An escrow company that would bend a rule for a seller would bend one against a buyer. Our refusal to interpret, advise, or take sides is the reason you can trust the ledger. We follow the contract as written — which means the contract is the thing that matters, and you should read it carefully before you sign it.

SECTION 7

What a responsible buyer needs to know

Ten things. If you understand all ten before you sign, you will be better prepared than the large majority of buyers who do this successfully.

1. **Use a title company. Every time.**
   A title company runs the title search that reveals liens, judgments, easements, unpaid taxes, and ownership problems. Owner financing does not mean skipping this step — it makes it more important, because there's no lender forcing anyone to check.

2. **Buy an owner's title insurance policy.**
   It's a one-time cost at closing that protects your interest against title defects nobody found. If a claim ever arises, this is the difference between an inconvenience and a catastrophe.

3. **Record your interest with the county.**
   In New Mexico it is common to record the Real Estate Contract or a memorandum of it with the county clerk. Recording puts the world on notice that you have an interest in the property. Ask your broker and closing agent to confirm this happens.

4. **Ask whether the seller has an existing loan on the property.**
   If they do, ask in writing whether it will be paid off at closing or remain in place. If it stays, understand that their lender may have the right to demand full payment, and that your payments depend on the seller continuing to pay their own loan. This is a question you ask directly and get answered in writing.

5. **Get an inspection anyway.**
   Nobody is going to require it. Get one regardless — roof, foundation, septic, well, electrical, HVAC. On rural New Mexico property, add water rights, access easements, and utility availability to the list.

6. **Read the amortization schedule, not just the payment.**
   Ask for a schedule showing how each payment splits between interest and principal, and what your balance will be at any point in the term. Confirm whether the loan is fully amortizing or interest-only. Know your total cost over the life of the contract.

7. **Find the balloon — and plan for it now.**
   Ask flatly: is there a balloon payment, and what is the exact date? Then work backward. What will the balance be? What will you need to qualify for a refinance by then? Start the conversation with a lender in year one, not year six.

8. **Ask about prepayment.**
   Can you pay extra toward principal? Can you pay the contract off early without a penalty? Many RECs allow it and some don't. If you plan to refinance, this term matters enormously.

9. **Know exactly who pays taxes and insurance — and prove it every year.**
   In most RECs, the buyer is responsible for property taxes and for keeping the property insured. Whether or not you use impounds, verify annually that taxes are current and coverage is in force. Unpaid taxes can put the property at risk no matter how faithfully you've made your payments.

10. **Have an attorney review the contract before you sign.**
    A few hundred dollars for a review of a document that governs thirty years of your life is the best money you will spend in this transaction. Your escrow company cannot do this for you, and neither can your broker.

SECTION 8

The process, step by step

From "I want to buy a house" to "the deed is mine." Here is the whole path, in order.

1. **Due diligence**
   You decide to become a buyer. You look honestly at your income, your down payment, your credit, and your monthly budget. You find a broker who genuinely understands owner financing — not every broker does — and you learn the market you're entering.

2. **Decisions**
   The shopping stage, and the negotiating stage. You look at properties, make offers, and negotiate price, down payment, interest rate, term, balloon, and every other term of the deal. This is where a good broker earns their commission. Nothing here is standard, which means everything here is negotiable.

3. **Paperwork**
   Your broker and the title company work together to prepare the documents and confirm clear title. The REC, the deed, and the closing documents are drafted — usually by an attorney or by the title company. This is the point to have your own attorney review the contract.

4. **Closing**
   You and the seller sign at the title company. Your down payment and closing costs are paid, title insurance is issued, and your interest is recorded with the county.

5. **Taking possession**
   The property is yours to use and live in as long as you meet the terms of the contract. Move in, change the locks, plant something.

6. **Escrow setup**
   The title company forwards the executed documents to the escrow company. An account is created, an account number is assigned, and a Welcome Package is sent to you with your payment instructions, your balance, your due date, and how to reach us. Read it the day it arrives.

7. **Payments**
   You pay monthly — online, by phone, by mail, by automatic bank draft, in the lobby, or at the drive-through. Each payment is recorded, the escrow fee is deducted per the contract, impounds are set aside if applicable, and the seller is paid. Your history is available to you online at any time.

8. **Payoff**
   When you're ready — through refinancing, a sale, or simply making the last payment — you or your attorney request a payoff quote. The quote is good through a stated date; pay after that date and it will be rejected and a new quote issued. Ask for the quote well before you need it.

9. **Deed release and recording**
   Once the contract is satisfied, the deed is released to you. **Record it with the county clerk in the county where the property sits.** This is the final step, it is your responsibility, and it is the one people forget. The deed in your desk drawer is not the same as the deed on record.

Who does what

WHO	WHAT THEY'RE RESPONSIBLE FOR
You	Choosing the property, negotiating terms, arranging your own attorney review and inspection, making payments on time, keeping taxes and insurance current, planning for the balloon, and recording the deed at the end.
Your broker	Finding properties, presenting and negotiating offers, coordinating between the parties and the title company, and advising you within the scope of their license.
Title company	Searching title, issuing title insurance, preparing or coordinating closing documents, conducting the closing, and recording with the county.
Attorney	Drafting or reviewing the Real Estate Contract and explaining what its terms mean for you specifically.
Escrow company	Holding the deed and documents, receiving and recording payments, managing impounds, disbursing to the seller, providing payoff quotes, and releasing the deed when the contract is satisfied.
Seller	Delivering clear title, honoring the contract's terms, and releasing their interest at payoff.

> **TIMELINE REALITY CHECK**
>
> Steps 1 through 5 commonly take a few weeks to a few months, depending mostly on how quickly you find the right property and how fast title work moves. Steps 6 through 8 can span decades. That's the nature of a long-term contract — and it's exactly why the record-keeping in the middle matters so much.

SECTION 9

Questions to ask

Print this section. Take it with you. A good broker and an honest seller will welcome every one of these questions — and anyone who doesn't has told you something important.

Ask yourself first

1. Could I make this payment every month for three years if nothing in my life improved?
2. Do I have a written plan for the balloon — with a date and a target?
3. Do I have reserves for taxes, insurance, and a major repair?
4. Have I read the entire contract, or just had it explained to me?
5. Is there any part of this I'm hoping will work out rather than expecting to?

Ask your broker

1. How many owner-financed transactions have you closed, and how recently?
2. Which title companies and closing attorneys do you use for RECs, and why?
3. Who will draft the Real Estate Contract, and who represents my interests in that drafting?
4. Will my contract or a memorandum of it be recorded with the county?
5. What terms in this market are typically negotiable, and where does this seller have flexibility?
6. What are all of my closing costs, itemized?
7. Which escrow companies do you recommend for servicing, and what do they charge?
8. What's your honest read on this property's condition and its resale prospects?

Ask the seller (this is the list most buyers skip)

1. Do you own the property free and clear? If not, what loans or liens exist, and will they be paid off at closing?
2. Are property taxes current? Are there any HOA dues, special assessments, or unpaid utility liens?
3. Why are you offering owner financing? (There are excellent answers to this. Listen for one.)
4. What down payment are you looking for, and what interest rate?
5. Is there a balloon payment? On what date, and what balance do you expect at that point?
6. Can I pay extra toward principal or pay off early without a penalty?
7. Who is responsible for property taxes and insurance, and will impounds be included?
8. What are the default terms — how many days late before a notice, and how long do I have to cure?
9. Will you agree to a licensed escrow company servicing this contract?
10. Will you allow an inspection and a full title search?
11. Are there easements, access issues, water rights, or shared wells I should know about?
12. Has anything been repaired, replaced, or gone wrong with this property in the last five years?

Ask the escrow company

1. What are your setup fees and your monthly servicing fees, and who pays them under this contract?
2. How do I make payments, and which methods post fastest?
3. Can I set up automatic drafts, and can I see my history online?
4. How do impounds work, and what do I need to send you when a tax or insurance bill arrives?
5. How do I request a payoff quote, and how long is it good for?
6. What happens if I'm late — what does the contract say, and what will you do?

WHAT TO DO WITH THE ANSWERS

Write them down. Not in your head — on paper, next to the question. Three months from now, when you're deciding whether to sign, you will want the actual answers rather than your memory of a friendly conversation.

And watch how the questions land. A seller or broker who answers plainly, produces documents, and volunteers information you didn't ask for is telling you a great deal about how the next thirty years will go. So is one who gets irritated.

SECTION 10

What to expect

When things go right — which is most of the time

The overwhelming majority of owner-financed contracts are uneventful. This is what "normal" looks like:

You close. A week or two later a Welcome Package arrives with your account number, balance, due date, and payment options. You set up an automatic draft. Money comes out on the same day every month. You check your balance online once in a while and watch it drop.

Once a year you confirm your taxes are paid and your insurance is current — or you send us the bills and we pay them from impounds. If you have questions about your account, you call and get a human being who can see your ledger.

Somewhere in year three or four you take your documented payment history to a lender, refinance into a conventional loan, request a payoff quote, and close it out. Or you don't refinance, you simply keep paying, and in year thirty you make the last payment. Either way the deed is released, you record it with the county, and the property is yours free and clear.

When things go wrong

Life happens. A job ends, a medical bill lands, a divorce starts. Here is what actually helps:

- **Act early, not after.** The single best predictor of a good outcome is a buyer who calls before missing a payment rather than after missing three. Sellers who are talking to you are far more likely to work with you.
- **Talk to the seller directly.** Your escrow company cannot negotiate for you and cannot change terms. But a seller can agree to a modification — and if both parties sign a written amendment, we will service it exactly as amended.
- **Get any change in writing, signed by everyone.** A verbal agreement to skip a month does not exist. Only a signed written amendment does.
- **Know your cure period.** Your REC states how many days late triggers a default notice and how long you have to cure it. Find that language now, before you need it.
- **Consider mediation.** Many disputes are misunderstandings about what the contract says. A mediation service can resolve them before anyone spends money on lawyers.
- **Selling is an option.** If you have equity and can't keep the property, selling it — and paying off the contract from the proceeds — protects what you've built. This only works if you move before you're deep in default.

> **WORST CASE SCENARIO — READ THIS CAREFULLY**
>
> If you default and don't cure it, the typical remedy under a New Mexico Real Estate Contract is that the seller may terminate the contract, take the property back, and keep the payments you've already made. Your equitable interest ends. The escrow company then delivers the documents according to the contract's instructions.
>
> **This process is generally faster than a bank foreclosure and there is often no equity returned to you.** A buyer who has paid for six years can lose everything they've put in. That is the real risk, stated plainly, and it is the reason the entire second half of this guide exists.
>
> Exact rights, notice requirements, and cure periods depend on your specific contract and on New Mexico law. If you receive a default notice, contact an attorney immediately — not next week. Your escrow company cannot advise you and cannot intervene on your behalf.

HOW TO MAKE THE WORST CASE NEARLY IMPOSSIBLE

Buy less house than you can afford. Keep three to six months of payments in reserve. Set up automatic drafts so a missed payment can't happen by accident. Solve the balloon years before it arrives. Call at the first sign of trouble. Every one of these is free, and together they eliminate most of the risk described above.

SECTION 11

Red flags and how to avoid pitfalls

Owner financing is a legitimate, widely used tool. Like anything involving large sums and motivated people, it also attracts a few bad actors. These are the warning signs. Any single one of them is reason to slow down.

Walk away if...

- **The seller doesn't want to use a title company.** There is no legitimate reason for this. None.
- **The seller refuses a neutral escrow company** and insists you pay them directly. You will have no independent record of what you paid.
- **You're told you don't need an attorney,** or that the contract is "standard," or that a lawyer will "just complicate things."
- **You're pressured to sign today.** Manufactured urgency is the oldest tactic there is.
- **The seller won't answer whether there's an existing mortgage,** or gets uncomfortable when you ask.
- **You're asked to wire a down payment** anywhere other than a title company's escrow account — and always verify wire instructions by calling a number you looked up yourself, never one from an email.
- **The contract has blanks, handwritten changes, or terms nobody will explain.**
- **The seller says an inspection isn't necessary** or won't allow one.
- **You can't get a straight answer about the balloon date or the interest rate.**
- **The deal is described as "rent-to-own"** but you're being asked for a large down payment. Understand exactly what instrument you're signing — the differences are legally significant.
- **The property has unpaid taxes, unresolved liens, or unclear access,** and the seller wants to close anyway.
- **Something feels off and you can't name it.** Slow down and find out why.

The pitfall-avoidance checklist

- [ ] Closed at a title company with a full title search completed
- [ ] Owner's title insurance policy purchased
- [ ] Contract reviewed by an attorney of my choosing — not the seller's
- [ ] REC or memorandum of REC recorded with the county clerk
- [ ] Written confirmation of whether an underlying loan exists and how it's handled
- [ ] Independent inspection completed and reviewed
- [ ] Balloon date and expected balance written down and calendared
- [ ] Amortization schedule received and understood
- [ ] Prepayment terms confirmed in writing
- [ ] Taxes and insurance responsibility confirmed; impounds arranged if available
- [ ] Default and cure terms located, read, and understood
- [ ] Licensed escrow company engaged to service the contract
- [ ] Three to six months of payments held in reserve
- [ ] Automatic payment set up so nothing is missed by accident

ONE MORE THING

Every item on that list costs you either a little money or a little time. Together they cost a small fraction of the purchase price — and they are the entire difference between a transaction that quietly works for thirty years and one that becomes the most expensive mistake of your life. There is no version of this where skipping them was the clever move.

SECTION 12

Next steps

If you've read this far, you already know more about owner financing than most people who complete one. Here's how to move from reading to doing.

1. **Get honest about your numbers**
   Write down your monthly take-home income, your existing obligations, your available down payment, and your reserves. Decide the highest monthly payment you could make comfortably — then plan to stay under it.

2. **Talk to a lender first, even if you expect a no**
   Find out exactly why you don't qualify today and what would change that. Sometimes the answer is "six months and one paid-off card." If a bank will lend to you now, take the bank loan. If not, you now know your refinance target.

3. **Find a broker who does this regularly**
   Ask directly how many owner-financed deals they've closed. A broker who works with RECs routinely will know which sellers are open to it, which title companies handle them well, and what terms are realistic in your market.

4. **Line up an attorney before you need one**
   Have someone identified who can review a contract on short notice. Deals move quickly, and "I'll find a lawyer later" turns into "I signed without one."

5. **Choose your escrow company early**
   Ask about fees, payment options, online access, and impounds before closing rather than after. Bring the escrow company into the conversation while terms are still being negotiated — it's easier to build servicing into the contract than to add it later.

6. **Shop properties, and shop terms**
   The right property with bad terms is a bad deal. The right terms on a good property is how people build real wealth. Negotiate both.

7. **Use the checklists in this guide**
   Sections 9 and 11 exist to be printed and carried. Work through them item by item before you sign anything.

THE BOTTOM LINE

Owner financing is not a consolation prize for people who can't get a real loan. It is a legitimate, flexible, long-established way to own property in New Mexico — one that has put thousands of families into homes and onto land they could not otherwise have bought.

It rewards buyers who prepare and punishes buyers who don't. **Read the contract. Use the professionals. Know your balloon. Keep a reserve.** Do those four things and you are very likely to be one of the many people for whom this works exactly as intended.

Have questions about escrow?

We're happy to explain how long-term escrow servicing works — before you're a client, and without a sales pitch.

Sunwest Escrow, LC has served New Mexico since 1987. We specialize in long-term escrow servicing for Real Estate Contracts and other seller-financing instruments, acting as a neutral third party for buyers and sellers across the state. We hold deeds and documents, receive and record payments, manage impounds, and maintain the permanent record of every transaction we service.

We can explain how servicing works, what our fees are, how payments and impounds are handled, and what to expect once your account is open. What we can't do — by law and by principle — is give you legal or tax advice, interpret your contract, or tell you whether a particular deal is a good one. For those questions, please talk to an attorney and a tax professional.

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IMPORTANT NOTICE

This guide is not tax or legal advice. Sunwest Escrow, LC is not licensed to provide tax or legal advice and does not do so. Nothing in this guide should be relied on as a substitute for professional counsel. Every transaction and every Real Estate Contract is different, and the terms of your specific contract control your rights and obligations. Laws, regulations, and market practices change over time. We strongly recommend you consult a licensed attorney and a qualified tax professional before entering into any owner-financed transaction. Examples in this guide are illustrative only and are not quotes, offers, or recommendations.

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