**HOMEOWNER PARTNERSHIP AGREEMENT EXPLANATION**

Often you will find homeowners with quite a bit of equity. Your goal is to wholesale the property while their goal is to hang on to the equity they have left. I use this agreement to solve both our dilemmas. It allows me to purchase the property and them to get some of their equity.

The purpose of the Homeowner Partnership Agreement is to be certain each party involved completely understands what has been agreed upon. As you will soon realize, homeowners hear what they want to hear.

You may say, “We’ll have between $20,000 and $40,000 to split.” What they hear is that we have $40,000 to split. When the final numbers come in, they are upset because there is only $20,000 to share. Homeowners feel as if they were taken advantage of. You never want your homeowners to feel that way. Everything you do needs to have a win-win outcome.

When you are marketing properties, there will be times when you need to sell the property for less than expected to unload it quickly. This agreement gives **you** the right to set the sales price. God forbid the homeowner dies before the closing. This agreement gives you power of attorney so you can close the deal.

As you read this agreement, you will begin to understand the power it gives you. You will hear me say over and over again… maintain control of your deals.

**Homeowner Partnership Agreement** - Let’s review the agreement, section-by-section. At the top of the document it says “Homeowner Partnership Agreement”. This document is for marketing, selling, and distribution of funds. The HPA (Homeowner Partnership Agreement) becomes effective on “today’s date” by “you” and “Bob and Mary Jones.” Hereafter referred to as “Investor and/or assigns” and “Homeowner(s).” Any place in this agreement where it says “and/or assigns” is where your name or your company’s name belongs.

**1. Subject property location.**

This would be the homeowner’s names and the **subject property’s** address, city, zip, and county. If they have a cell, work number, or any other contact information, get it and put it here.

**2. The Investor business address.**

For security reasons, I like to use a post office box. I also use my cell as my contact number. I don’t like people calling me at home at night when I am trying to have family time. I turn my cell phone off and relax at night.

**3. Nature of the Equity Agreement.**

States what you will be doing: marketing, selling, and distributing funds. Include deductions of expenses for the subject property.

**4. Duration of equity agreement.**

This agreement remains in full force until the completion and distribution of all funds, including the “successful closing” of the subject property.

**5. Contribution of capital.**

Homeowner(s) shall contribute capital and additional resources as follows:

**5a.** Bob and Mary Jones, the Homeowner(s), will sign the “limited power of attorney” to …...

Decide how you will take title. Your exit strategy will be a determining factor. For example, you may decide to keep the property as a rental and you buy all your rentals in ABC Investments. Your exit strategy may be to wholesale and you wholesale in XYZ Company. If you are going to keep the property, you cannot be the buyer and the seller in the transaction.

A “limited power of attorney” eliminates the seller from having to attend the closing. This gives you 100% control. Remember, control is VERY important.

**5b.** Summarizes what the power of attorney can do: forbearance agreements, closing documents, release of tax information, handling insurance checks, and any material or information that the mortgage company might require.

**5c.** States the LPA can be used as an “Authorization to Release Information” as well. This will allow you to gain private information. For example, banking, credit reports, medical information, or whatever might be necessary for this transaction.

**5d.** Mr. and Mrs. Jones agree to quick claim the above said property to …

This will be your name or whatever name in which you are taking title. I like to get deeds in case my homeowners try to go around me or bail-out at the last minute. I have to be honest, in almost 1,000 transactions, I have only had one homeowner bail and go with another investor. The sad part is, the deal fell apart and she lost her house in foreclosure and received no money. Remember, you reap what you sow.

**5e.** This confirms you are responsible for sales and marketing the subject property.

**5f.** This confirms you are responsible for research, legal forms related to the payoff with the foreclosure attorney, and basically anything that needs to be taken care of.

**5g.** The “Assignment of Funds Letter” instructs the title company what to do with the proceeds from the closing. This document must be notarized.

**5h. The Appropriation of Expenses.**

The “appropriation of expenses” are the expenses associated with the sale of the above referred property:

**A.** **Payoff with a foreclosure attorney.**

The attorneys will give you the final payoff figures.

**B.** **Title insurance.**

The cost of the title policy necessary for closing.

**C.** **Unpaid property taxes.**

Remember, property taxes come before anything else. The title company will give you this figure.

**D.** **Escrow deposit for public service fee.**

Public service fees might be garbage, water, or gas. Be certain these items are researched and **paid**. If they are discovered after the closing, guess who gets to pay them? Right, you.

**E.** **Interest on capitol**

If you are unable to close the deal before the sheriff’s sale and need to secure financing, this allows you to be fully reimbursed this entire expense.

**F. Closing costs.**

Fees you will pay to close the transaction. For example, doc fees, recording fees, overnight shipping, wiring, and more.

**G. Lender fees.**

Fees that will be paid to your lender for getting the loan secured.

**H. Legal fees.**

From time-to-time you’ll need an attorney in addition to the title company. This ensures you are reimbursed for these expenses.

**I. Rehabbing expenses.**

If the property needs work and the Homeowner(s) stay in the house, this expense becomes a 100% paid by them. I am not about to repair a property to make it marketable just to have it trashed by the homeowners. If the property is in poor condition now, it will look just the same after you spend your hard-earned money fixing it. Let the homeowners cover this expense.

**J.** **Recording fees.**

Recording fee's for deeds, deeds of trust, and mortgages.

**K. Appraisal fees.**

Appraisals are not usually necessary; however, if one is needed you want to be reimbursed for it.

**L. Liens and Judgments.**

If any liens or judgments are paid from the closing, this is also an expense you get reimbursed for. Regardless of the size of the judgment, call the judgment holder and offer less to pay it in full…now. Most judgment holders have written it off as a loss and are happy to get whatever they can.

**M. Fee for Forbearance Agreement.**

I charge between $495 and $995 to work with a mortgage company on a forbearance agreement. A forbearance agreement is a fancy word for a payment plan. Sometimes the homeowners desire to stay in their home and they have money to make-up the back payments. You can contact the bank, work out a repayment plan, and collect a fee for doing it. When you work a forbearance agreement, be certain the homeowners are back on their feet and can afford the new payment.

**N. Cost of a Realtor if Involved.**

Should the homeowners have a brother, sister, or friend who is a real estate agent that gets involved, make it clear that you are in total control of the sales price, commission, or whatever comes up. Should commission be involved, it will come off the homeowners side.

**O. Marketing and Selling Costs to “Investor” and/or assigns.**

Your marketing cost is going to be 10% of the total sales price. If the property sells for $200,000, you get $20,000 right off the top as your fee. This fee is the first expense paid from the closing.

**P. Code Violations**

Code Violations can be many things: cars in the yard, overgrown grass, a porch that is falling off, busted windows, a crack in the house, a green pool, and much more. Fines are placed against the property unless the homeowners repair the necessary items. If the repairs are not completed, the fines accrue daily. Homeowners may have a fine accruing at $200 per day. In a years time they owe thousands to the city. Negotiate these fines by telling the city you will fix the violation if the city will waive the fines. If the city agrees, fix the problem or you will be up to your eyeballs in paperwork.

**Q. Transaction Fee.**

I typically charge an $895 transaction fee. If the homeowners suddenly come into some money and want to keep their house, I’m happy to give it back. However, I don’t want to work for free. This fee is paid up front to ensure you get paid something. Do we really want to work for $895? No, but if at the last minute the homeowners are able to keep their property, give it back to them. You will be rewarded for it later.

**6. Profit and Losses.**

The net profits of the HPA will be divided proportionally between the parties as follows: Bob and Mary Jones will receive “blank” percent upon a successful closing after all expenses are paid. I like a 50/50 split. This number is strictly up to you.

**7. The Termination for the Equity Agreement.**

This equity agreement only terminates upon the completion and distribution of all funds, including the successful closing of the above said reference property.

**8. Waiving of Rights Paragraph**

I, Bob and Mary Jones, “Homeowner(s),” waive our rights to the 50% equity by taking blank amount of money now. Often homeowners want to move on today and will take less to be done with the foreclosure. This paragraph has a place for initials to ensure the homeowners don’t try to come back later and say they didn’t understand they were walking away from all their equity.

**9.** **Pricing Paragraph**

Both parties agree that Investor has final say on the sales price. You always want to be in control of the final sales price. In the event you have to sell for less than expected, this lets everyone know that the homeowners agreed from the beginning. If the sheriff’s sale is soon, you may have to sell the property for very little over the mortgage balance in order to make any money on this transaction.

**10.** It also states that, once the agreement is signed, if the homeowners try to work with someone else or go around you that they will owe you 10% of the value of the house. Again, notice the initials.

**11.** **The Court Paragraph**

In the event a dispute arises between any partners the venue of the court will be in the county of **“your county,”** in the State of **“your State,”** or deemed by **“your name.”** Again, it’s all about control.

Signed and entered to this agreement with “your name,” and/or assigns on this day of “blank.” Sign on your respective lines.

**Your signature does not have to be notarized, but the homeowner’s signature does.**

**HOMEOWNER PARTNERSHIP AGREEMENT**

On this day, the \_\_\_\_\_\_\_\_\_\_\_, in the month of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, in the year of \_\_\_\_\_\_\_\_\_\_\_\_\_\_, this Agreement is between \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ **(The Investor)** and/or assigns and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ **(The Homeowner(s)).**

1. Partnership is for property located at:

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. **Investor** Business Address:

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

3. Nature of Agreement: This partnership will be for marketing and selling the above mentioned property, and the disbursing of all funds, after expenses as per paragraphs 5 and 6.

4. Duration: This partnership agreement is in effect until the complete disbursement of funds after the successful closing of the above mentioned property. (See paragraph 7).

5. Contribution of Capital: The **Homeowner(s)** shall contribute capital and additional resources as follows:

1. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ will sign a Limited Power of Attorney to \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
2. Limited Power of Attorney to be limited to the above said property only and shall be used for signing forbearance agreements, closing docs, release of tax information, handling insurance checks, or any other information the mortgage company may need.
3. The Limited Power of Attorney will also be an “Authorization to Release Information” for the mortgage company.
4. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ will Quit Claim the above said property to \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
5. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and/or assigns will be responsible for all expertise in sales and marketing the above said property.

**Initials: Investor: \_\_\_\_\_\_\_\_\_\_\_\_ Homeowner(s): \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

1. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and/or assigns will secure all research and legal forms relating to the payoff from the foreclosing attorney.
2. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ will sign an “Assignment of Funds” for the title/mortgage company.
3. Appropriation of Expenses: The following are a representation of **expected expenses** associated with the sale of the above referenced property:
4. Payoff with foreclosing attorney
5. Title Insurance
6. Unpaid Taxes
7. Public Service Escrow
8. Interest on Capital
9. Closing Cost
10. Lender Fees
11. Legal Fees
12. Rehabbing Expenses
13. Recording Fees
14. Appraisal Fees
15. Liens and Judgments
16. Fee For Forbearance Agreement
17. Cost of Realtor if involved is 3%.
18. Marketing and selling cost to **Investor**, and/or assigns, at 10%.
19. Code Violations
20. Transaction Fee $\_\_\_\_\_\_\_\_\_\_\_\_.

**Please note that other unforeseen expenses may**

**arise and will be added to the above list.**

6. Profits and Losses: Net profits of the partnership shall be divided proportionately between the partners as follows:

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ will receive\_\_\_\_\_\_\_\_\_\_\_\_\_% upon a successful closing after all expenses are paid.

**Initials: Investor: \_\_\_\_\_\_\_\_\_\_\_\_ Homeowner(s): \_\_\_\_\_\_\_\_\_\_\_\_**

7. Termination of Partnership: This partnership will terminate upon distribution of funds at the successful closing of above said property.

8. I, \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, **(Homeowner(s))** waive my (our) right to my \_\_\_\_\_\_\_\_\_\_\_% equity by taking $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ now. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ **(Investor)** will pay the funds on or before \_\_\_\_\_\_\_\_\_\_\_\_ of \_\_\_\_\_\_\_\_\_\_\_\_201\_\_\_\_. I (we) will vacate the property on or before \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

**Initials: Investor: \_\_\_\_\_\_\_\_\_\_\_\_ Homeowner(s): \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**I (we) realize that if I (we) don’t vacate on or before the said date,**

**I (we) will pay a non-negotiable fine of $250.00 per day.**

9. The Homeowners realize they may have to sell the said property **BELOW MARKET VALUE** to get out of or to stop the foreclosure process, and the sale price is **STRICTLY** up to the discretion of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and/or assigns.

**Initials: Investor: \_\_\_\_\_\_\_\_\_\_\_\_ Homeowner(s): \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

10. After the signing of this agreement, if the Homeowner(s) try to deed this property to another party or try to cloud title with the intent to void this agreement, Homeowner(s) realize and agree that they will owe the Investor and/or assigns a fee equal to but not more than 10% of the appraised value of said property. The Investor will secure an appraiser and both parties agree to the appraised amount in advance. The Homeowners will be responsible for payment of the appraiser.

**Initials: Investor: \_\_\_\_\_\_\_\_\_\_\_\_ Homeowner(s): \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

11. In the event of a dispute, if an attorney is retained, and/or any legal action occurs between the parties, the venue will be \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ County, \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ or whichever county/state is deemed appropriate by the Investor and/or assigns.

Signed this \_\_\_\_\_\_\_\_\_ day of \_\_\_\_\_\_\_\_\_\_\_ 201\_\_.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Investor Signature/and or assigns

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Homeowner (s)

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Homeowner (s)

State of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

County of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Before me, personally appeared to me now to be the person(s) described in and who executed the foregoing instrument and acknowledged before that they executed the same.

Witnessed my hand and seal this \_\_\_\_\_\_\_\_\_\_\_ day of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, 201\_\_\_\_\_.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Notary Public

My commission expires \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_