The All Inclusive Trust Deed (AITD)

An **All Inclusive Trust Deed** is also known as a wrap-around loan. This means that an existing loan is wrapped into a new loan that is made by the property's Seller.

For example: the final sales price on a piece of property is $200,000. There is an existing first trust deed securing a loan with a balance of $150,000 with an interest rate of 7%. The Buyer has $20,000 cash to put down; therefore, an AITD is created in the amount of $180,000 with a negotiated interst rate of 8%. The AITD wraps around the existing $150,000 at 7%, the Seller makes 1% on the $150,000 and 8% on the $30,000, effectively increasing the yield.

The Buyer makes payments based upon the $180,000 balance, and the Seller continues to make payments on the existing loan secured by the first trust deed.

One benefit of the all inclusive trust deed is its flexibility and ability to negotiate all of the terms, including the payment amount, the rates of interest, the maturity date, any late charges, and the prepayment penalty.

The first trust deed and note may contain a "Due On Sale Clause." The parties should consult with their counsel and tax advisor as to the ramifications of entering into an AITD.

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