



## What is an equity purchase transaction?

**A:** An equity purchase (EP) transaction occurs when an investor begins negotiations to acquire a one-to-four unit residential property while it is in foreclosure and the seller occupies it in whole or in part as their *principal residence*.

In an EP transaction, the seller conveys title to their residence-in-foreclosure to an investor who acquires it for:

- dealer purposes;
- investment purposes; or
- purposes of security.

A buyer who acquires title to an owner-occupied property in foreclosure and does not occupy the property themselves as their primary residence is known as an EP investor.

Specific rules give sellers of their principal residence, when in foreclosure, rights and remedies which apply to all EP transactions.

On entering into an agreement to sell their principal residence-in-foreclosure, the seller has the right to cancel the agreement within five business days. Also, the purchase agreement for an EP transaction is specifically formatted and includes provisions mandated by EP codes.

Further, after escrow closes, the EP investor's title is subject to the seller-in-foreclosure's two-year right to rescind the sale.

The EP codes distinguish *principal residence* from *personal use* of a one-to-four unit residential property. Only a seller's principal residence comes within the shield of EP codes. However, buyers avoid application of the EP code by occupying the property for personal use or as their principal residence.

All other uses by the person who acquires title to the property are considered dealer, investment or security purposes.