Tenant Buyer Information Packet

Introduction to Rent-to-Own

Rent-to-own, also known as a lease-purchase agreement, is an alternative way to buy a home. This agreement allows tenants to rent a property with the option to purchase it at the end of a specified period. This packet provides potential tenant-buyers with all the necessary information to understand the rent-to-own process, benefits, risks, and next steps.

How Rent-to-Own Works

1. **Lease Agreement**: The tenant-buyer signs a lease agreement to rent the property for a predetermined term, typically 2-3 years.

2. **Option to Purchase**: Along with the lease, the tenant-buyer signs an option agreement, granting the right (but not the obligation) to purchase the property at an agreed-upon price by the end of the lease term.

3. **Option Fee**: An upfront, non-refundable fee (usually $3,500) is paid to secure the purchase option. This fee is credited toward the purchase price.

4. **Purchase Decision**: At the end of the lease term, the tenant-buyer decides whether to purchase the home or forfeit the option to buy.

Benefits of Rent-to-Own

- **Path to Homeownership**: Ideal for those with less-than-perfect credit, insufficient savings for a down payment or not enough of job history to currently qualify for a traditional mortgage.

- **Price Lock**: The purchase price is locked in at the start of the agreement, protecting against market fluctuations.

- **Test Drive the Home**: Experience living in the home and neighborhood before committing to buy.

Considerations and Risks

- **Non-Refundable Fees**: The option fee is non-refundable if you choose not to buy the property and/or default on the agreement.

- **Financial Readiness**: Ensure you can qualify for a mortgage by the end of the lease term.

- **Market Conditions**: If the market value of the property decreases, you may end up paying more than the home's worth.

- **Property Condition:** While we thoroughly inspect the property and make sure that it is ready for a tenant buyer long term, we cannot ever 100% guarantee that the home doesn't have an issue(s) and we highly reccomend hiring a professional and licensed home inspector to inspect the home before entering the program.

- **Repairs and Maintenance**: The agreement requires tenant-buyers to take on maintenance and repair responsibilities.

Key Terms to Understand

- **Option Fee**: The upfront payment securing your right to purchase the home.

- **Purchase Price**: The agreed-upon price for the home, determined at the start of the lease.

- **Lease Term**: The duration of the rental period before the purchase option expires.

- **Maintenance Responsibilities**: Specify who is responsible for repairs and upkeep during the lease.

Steps to Get Started

1. **Evaluate Your Financial Situation**: Determine if rent-to-own is the right option based on your credit, income, and long-term goals.

2. **Review the Agreement**: Carefully read the lease and option agreement. Consider consulting a real estate attorney.

3. **Understand Your Responsibilities**: Clarify roles for repairs, maintenance and other costs.

4. **Secure Financing**: Begin preparing for a mortgage application by improving your credit, job history and saving for down payment funds.

5. **Stay Informed**: Keep track of deadlines and requirements throughout the lease term.

Maintenance Responsibilities

1. **HVAC**: Owner is responsible for up keeping the HVAC system (excluding filter changes).

2. **Roof**: Owner is responsible for up keeping the roof.

3. **Plumbing:** Owner is responsible for up keeping the plumbing that is in the ground and under a slab. Owner is responsible for making sure the water heater remains operational and all upkeep of the septic system (if applicable). Owner is responsible for maintaining any gas lines.

4. **Windows**: Owner is responsible for making sure windows remain operational (excluding window screens).

5. **Electrical**: Owner is responsible for any issues within the panel box.

Tenant Buyer is responsible for all other maintenance.

Frequently Asked Questions

1. **Can I back out of the agreement?** Yes, but you forfeit the option fee that would be applied toward the purchase price.

2. **What if I can't qualify for a mortgage at the end of the term?** You risk losing the option fee and the opportunity to buy the property. You likely can continue renting the home if your account is in good standing.

3. **What contracts are involved?** The are 2 contracts involved. One is a traditional lease agreement. The other is the "Option to Purchase" agreement which gives you the option to purchase the home during a set time period.

4. **What if I'm working with a Realtor?** We are Realtors ourselves and are happy to work with any representing Realtors! We pay Realtors their commission and a placement fee.

5. **Are any of my rent payments applied to the purchase price?** No, you are a tenant with the right to buy the home with your option fee paid, but none of your rent payments are applied to buying the home.

6. **What is the option fee amount?** The option fee is $3,500. This is applied to the purchase price when you purchase the home. For any homes that are priced above $200,000, then the option could be higher. The option fee is not refundable if the tenant buyer does not purchase the home and/or defaults.

7. **What tools are provided to me to help repair my credit?** All rent payments are reported to credit bureaus which will help build your score over the term of your contract. There is a small cost to this. We also provided recommended credit repair resources as well.

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addressing resident needs promptly, we have built a reputation for excellence and trust in the communities we serve."

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Tenant Buyer / Date

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Tenant Buyer / Date

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Authorized Agent / Date

NOTARY:

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