

The Lease-to-Buy Option

By ALEX MASON | Green Shoot Media

House hunters with minimal cash flow will like the lease-to-own housing option.

Growing in popularity with both buyers and sellers, it's a smart and innovative way for many people to get into a house. The terms and conditions will vary from one lease option to the next, but most deals are easy to qualify for if the seller is motivated.

This simple and cost-effective way to get into a property can be a win-win situation for both the buyer and seller. The seller can start banking cash, and the buyer can start saving money for a down payment.

Choose from ready-to-go homes, or strike a bargain for a fixer upper. To seal the deal and provide a helping hand to the seller, offer to fix up the home at your own expense for full rental price or ask for a monthly payment reduction.

FOR SELLERS

The lease-to-own arrangement, also known as rent to own, usually involves a house that has been sitting on the market for too long.

Ideal for sellers, offering a lease-to-own agreement keeps the cash flow moving with hope of a satisfied buyer at the end of the lease.

When a home for sale is still subject to a mortgage, it makes good sense to offer the real estate as a lease-to-own option and find a tenant immediately. The lease may be drawn up for one or more years, and there is no set rule for terms.

However, the owner must comply with state and local laws for landlords and tenants. Check with county officials for a handbook on how to comply with local laws.



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Leasing to buy can be a great way to buy a home when you have limited cash for a down payment and can be an attractive option for a seller experiencing a cash crunch.

In addition to monthly mortgage payments, a distressed seller also is accountable to pay the yearly property taxes. If you are a seller and have purchased another property, the lease-to-own option acts as a buffer to lighten the mortgage payments on the house for sale.

You may or may not gain a prof-

it depending on the mortgage balance, but the lease-to-own sales contract should put the transfer of property into potential motion.

If your renter decides not to purchase, you may rent the home again under the same terms or perhaps make the offer more attractive with lower payments.

FOR BUYERS

Leasing to own can be a goldmine to get buyers into a property with minimal investment.

The contract terms will be set by the seller and will usually require first and last month's rent plus security deposits. Lease-to-own homes

REAL ESTATE 101

Help for Potential Homeowners

State, county and city governments have established programs to help people become homeowners with grants, tax credits and second mortgage loans. Learn more at http://www.freddiemac.com/blog/homeownership/20140521_down_payment_assistance.html.

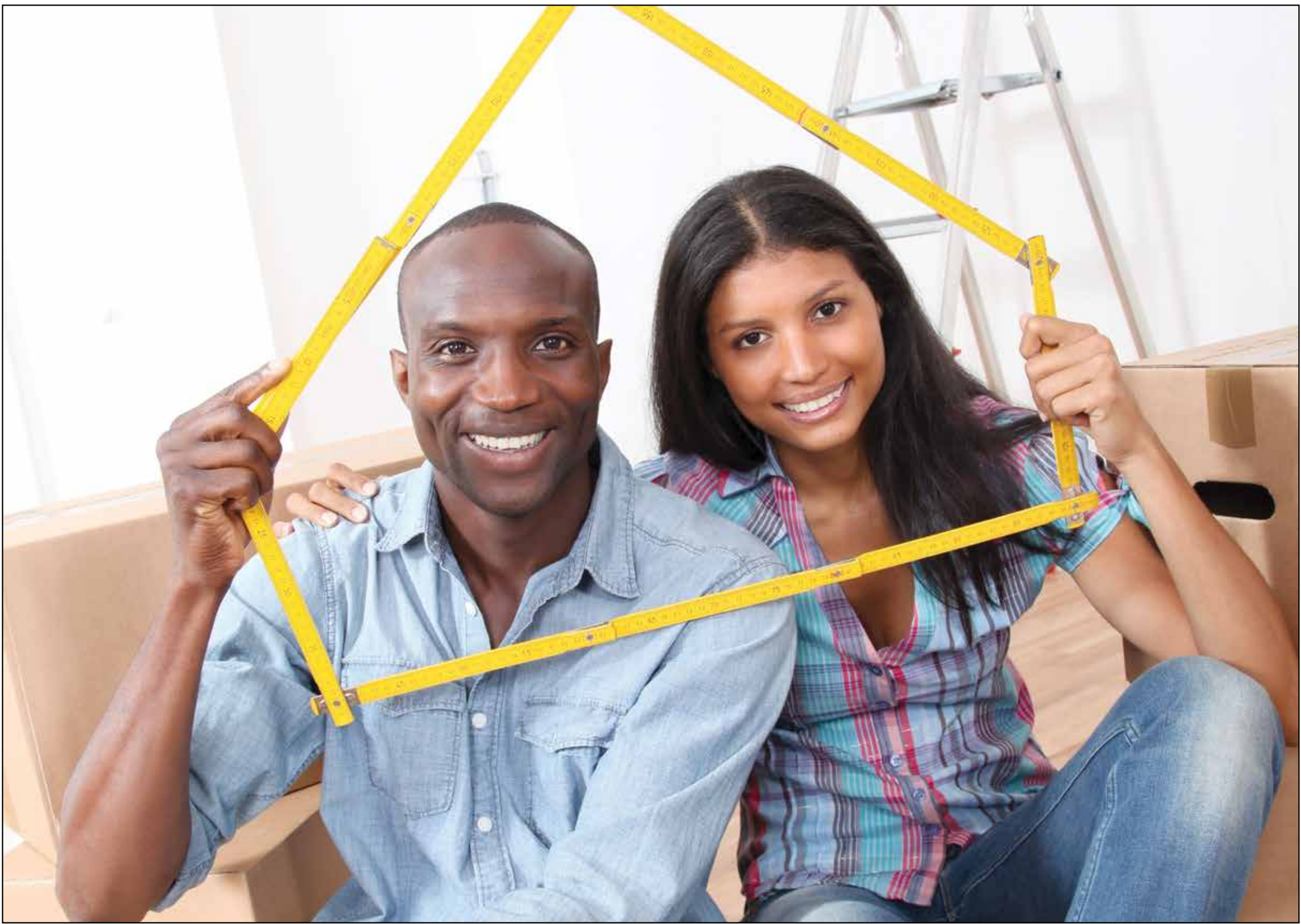
are generally offered in the middle- and low-income housing markets and can be an excellent resource to get settled into a property for less money while getting established.

Ask your local real estate professional for assistance with a lease-to-own option. In many instances, the owner may apply the first year's rent toward the down payment when the renter purchases the property.

If you find the home less than satisfactory, the lease-to-own contract should allow you to walk away scot free upon fulfillment of the lease agreement.

Check your local newspaper listings for the lease-to-own or rent-to-own properties. Though many may be listed, they go fast.

Alex Mason is a former real estate agent and mortgage broker living in Los Angeles.



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HOMESWISE GLOSSARY

Section 8 Homeownership Program: a program that allows low-income families who qualify for Section 8 rental assistance to use their certificates or vouchers to pay for homeownership costs under a mortgage.

Sweat equity: using labor to build or improve a property as part of the down payment.

SOURCE: U.S. Department of Housing and Urban Development

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