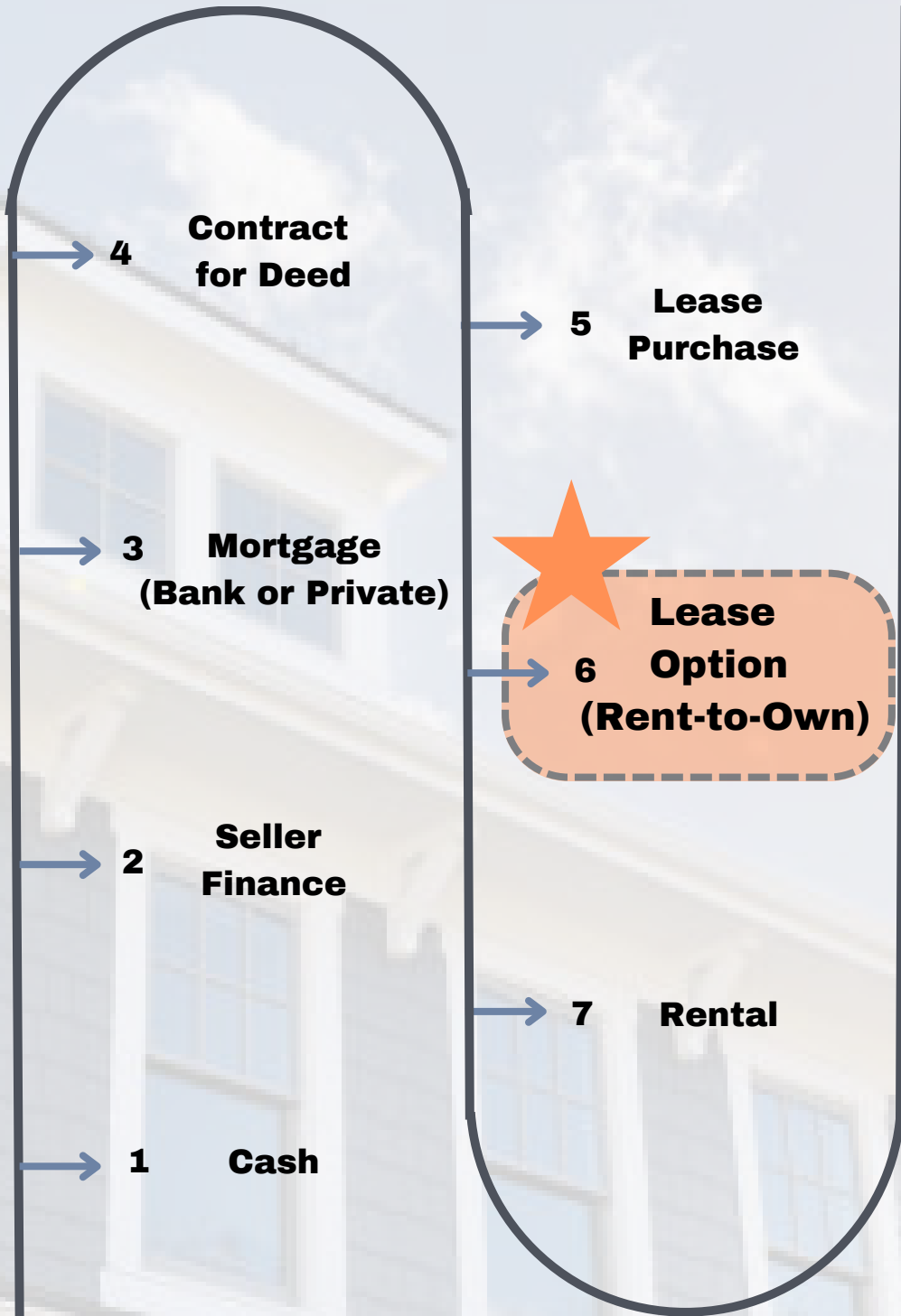


THE ULTIMATE RENT-TO-OWN GUIDE FOR HOME SHOPPERS





HOME

EQUITY PARTNER

OVERVIEW



THIS MODULE WILL COVER

- Chapter 1: Understanding rent-to-own
- Chapter 2: Is rent-to-own right for you?
- Chapter 3: Finding the perfect rent-to-own home
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Have you ever dreamed of owning your own home but struggled with the traditional path to homeownership? Imagine a way to live in your dream home while gradually working towards ownership. Introducing "The Ultimate Rent-to-Own Guide for Home Shoppers", your comprehensive resource for navigating the world of rent-to-own homeownership.

This guide will dive into the rent-to-own concept, its advantages, benefits, and considerations. We will also provide practical steps and tips for finding the perfect rent-to-own home and successfully transitioning to homeownership.

From understanding the basics of rent-to-own to conducting thorough due diligence, negotiating favorable terms, and preparing for homeownership, this guide will equip you with the knowledge and tools to make informed decisions throughout your rent-to-own journey.



CHAPTER 1: UNDERSTANDING RENT-TO-OWN

Rent-to-own, also known as lease-to-own or lease option, is a unique homeownership option that allows individuals to rent a property with the opportunity to purchase it later. It combines elements of renting and buying to provide flexibility and a path to homeownership.

A. BENEFITS OF RENT-TO-OWN:

- **Flexibility:** Rent-to-own offers the flexibility to live in your desired home while working towards ownership, allowing you to lock in a purchase price and plan for the future.
- **Building Equity:** A portion of your monthly rent is typically credited toward the eventual purchase price, enabling you to build equity over time.
- **Test the Home and Neighborhood:** Renting before owning allows you to experience the home and the surrounding neighborhood, ensuring it meets your needs and preferences.

B. WARNINGS RELATED TO RENT-TO-OWN:

- **Costs:** Option fees are non-refundable. Monthly payments may be higher. There may be home repairs you are responsible for and need to budget.
- **Contracts:** Contracts are less standard than typical mortgages or rental agreements and require special understanding.
- **Non-completion:** Most rent-to-own contracts go unexercised, although over 90% intend to do so. Life circumstances change and the ability to secure traditional financing may not always be feasible within the given timeline.





CHAPTER 2: IS RENT TO OWN RIGHT FOR YOU?

Before diving into a lease-to-own agreement, evaluating a few key considerations is crucial to ensure success.

- **Timing:** Assess if you should wait for a traditional home loan. If you feel now is the time to find your forever home and lock in prices, then rent-to-own may be for you.
- **Financial Stability:** Consider your financial situation, potential changes in income, and ensure you can afford the payments. Rent-to-own should not be used to fix a poor financial situation, it is simply a tool for flexibility so ensure you can honor your contract.
- **Long-Term Plans:** By securing a purchase price in advance, you can gain equity if the market surges. Conversely, if the market crashes, you can walk away without a mortgage burden (although you may lose your option money).
- **Finding the Right Lease-to-Own Opportunity:** Finding sellers open to lease-to-own arrangements can be difficult. Intermediary companies such as Home Equity Partner, Divvy Homes, and Home Partners of America can help by buying the home and selling it to you. Alternatively, you can search for for-sale-by-owner listings or other subscription-based services like Renttown.org to connect with sellers willing to consider a purchase option.
- **When Lease-to-Own Might Not Be Suitable:** Lease-to-own arrangements may only suit some. If the rent exceeds your budget, renting and saving for a down payment on a future home may be wiser. Consider your financial situation and whether the extra monthly payment is a worthwhile investment for securing a purchase price.



CHAPTER 3: FINDING THE PERFECT RENT-TO-OWN HOME



Conducting Property Searches:

- 1on1 Direct to Seller:** This option requires the most time and can be the most flexible. You call or contact private landlords (or sometimes property managers) and ask them if they are interested in rent-to-own. For example, you could contact everyone who listed their home for rent on Zillow and ask if they'd be interested in doing a rent-to-own. You may get told no 99 times, or you may find someone willing and understanding rent-to-own.
- Online Listing Platforms:** Explore popular websites and platforms specializing in rent-to-own properties, such as Facebook groups (search rent-to-own or seller finance) or subscription services such as RentToOwnLabs or RentToOwn.org. These platforms typically have ready-to-go properties for fast move-ins. Be careful though, as these platforms may charge a monthly subscription fee and/or the homes listed on the site are not always available. However, it can help decrease your search time.
- Local resources:** Agents, loan officers, real estate groups, Facebook groups, and property management companies may know the area and how you might successfully find a rent-to-own landlord or a private company specializing in rent-to-own.
- Private Companies:** Real estate investors and private companies (Home Equity Partner, Divvy Homes, Home Partners of America, etc.) may open possibilities as a private company that can purchase the home for you. These companies often do not have move-in inventory but instead purchase homes listed for sale for you.

RENT TO OWN PRIVATE COMPANY COMPETITIVE LANDSCAPE

Traditional Mortgage	Subscription Based (e.g. RentToOwn.org)	National (e.g. Home Equity Partner)	Major Metros (Home Partner of America / Divvy / Landis)	Traditional Rental	
←	What does this company offer?	\$50/month subscription service to aggregate potential rent-to-own homes available.	You pick any home anywhere. We buy it. You live in it as a rent-to-own.	Lease with option to buy. Test drive a home.	→
	Property Location	Anywhere homes are available	Any City	Limited to Specific Metros	
	Down Payment	Varies with each seller	5%-20%	1%-2%	
	Min Credit Score	Varies with each seller	None	620	
	Home Type	Any Available	Minimum Restraints. No manufactured homes or flips.	Must Confirm To Standards	
	Time to Close	Could be ASAP	30 days	30 days	
	Monthly Payment *	Medium	High	Medium	
	Purchase Price	Negotiable	You submit the price	Company picks offer price.	
	Customer Experience	Requires larger user effort with low support. Poor BBB reviews.	Work with company and real estate agent through entire process	Work with company and real estate agent through process	

* Compared to traditional mortgage or rental

CHAPTER 4: UNDERSTANDING RENT- TO-OWN CONTRACTS



One of the best ways to learn about a standard option to purchase contract is to look at one. The link above is a free lease option contract. Note that this is only one contract, you will also typically sign a standard lease agreement.

Essential Elements of an Option to Purchase Contract:

- **Purchase Price:** In a rent-to-own contract, the purchase price is the agreed-upon price at which the tenant-buyer can buy the property at the end of the lease. They pay rent during the lease term, and a portion may go towards accumulating a down payment or credit for future purchases. The purchase price is determined upfront and stated in the contract, providing the tenant-buyer the option to buy the property later at that price.
- **Option Fee:** It is important to understand the upfront fee. This fee secures your exclusive right to purchase the property within a specified timeframe, typically ranging from 1-3% of the purchase price. Just note, this fee is generally non-refundable.
- **Lease Terms:** Uncover the lease agreement terms: rental payments, duration, and rent-to-own provisions.

Key Terms and Conditions:

- **Rent Credits:** Unlock the power of rent credits! Each month, a portion of your rent goes towards the purchase price, gradually allowing you to build equity.
- **Maintenance Responsibilities:** Understand the roles of tenants and landlords in property upkeep, repairs, and improvements. Oftentimes, the tenant-buyer is responsible for added repairs and should be budgeted accordingly, as the typical home repairs average \$300/month.

Negotiating Favorable Terms:

- **Seek Legal Advice:** Don't hesitate to consult a specialized real estate attorney for rent-to-own transactions. They will review your contract, safeguard your interests, and skillfully negotiate terms on your behalf. Empower yourself with expert advice for a secure and favorable rent-to-own experience.
- **References:** Find references to specialized legal resources and sample rent-to-own contract templates. Empower yourself with the tools for a successful rent-to-own experience. [Listen to our podcast](#) walking through a typical rent-to-own contract.

[EXAMPLE LEASE OPTION CONTRACT](#)

CHAPTER 5: NAVIGATING THE RENT-TO-OWN PROCESS

CONSIDER YOUR OPTIONS

1. Establish a price in a contract with seller: It means agreeing on the amount the buyer will pay for the property or goods. It is a legally binding agreement for a transparent transaction.

2. Read the lease-option or lease-purchase contract carefully before signing: Understand terms, responsibilities, option period, price, and contingencies. Seek legal advice if necessary. Protect yourself and be prepared.

3. Pay a monthly rent to gain a percentage of credit toward eventual purchase: Part of the monthly rent payment goes towards building equity that can be used for the property's future purchase. It allows tenants to work towards homeownership while renting.

4. Apply for a mortgage when it is time to purchase: Make sure you give plenty of time to secure traditional financing. Whether it is credit, collections, income, or job, it usually takes longer than you expect. Do it to avoid delays and take advantage of market conditions. Be sure to be in great communication with a loan officer so you know exactly what is needed.

Pricing

APPROVED Mortgage Application Form

How to Buy a Rent-to-Own Home





CHAPTER 6: PREPARING FOR HOMEOWNERSHIP

Financial Planning:

- **Budgeting:** Create a budget to effectively manage rental payments, utility expenses, and savings for the future down payment and closing costs. Take control of your financial journey with smart budgeting.
- **Credit Improvement:** Pay bills on time, reduce debt, and dispute any credit report inaccuracies. For further assistance, consider reputable credit counseling organizations or resources.

Saving for a Down Payment

- **Savings Strategies:** Try these practical tips: set aside a portion of each paycheck, cut back on discretionary expenses, and look into down payment assistance programs or grants. Empower yourself with effective savings strategies for a brighter financial future!
- **Down Payment Assistance Programs:** Get a helping hand with down payment assistance! Explore programs such as state housing finance agencies or non-profit organizations that offer support to eligible homebuyers. Discover opportunities that make your homeownership dreams more attainable.

CHAPTER 7: SUCCESSFULLY TRANSITIONING TO HOMEOWNERSHIP

Exercising the Purchase Option:

- **Working with Lenders:** This means involving a financial institution to help you secure a mortgage. You will need to meet the lender's requirements for creditworthiness and a down payment. Talking with a loan officer, mortgage broker, or bank on the exact steps needed to ensure you meet 1) credit score, 2) debt-to-income ratio 3) down payment 4) employment history. By checking off these boxes you will be ready to buy the home.
- **Completing the Home Buying Process:** Steps may include appraisals, paperwork, title searches, and closing with a title company.
- **Homeownership Responsibilities:** Embrace homeownership responsibilities! Maintain your property, handle insurance, property taxes, and HOA fees. Find ongoing support and guidance with valuable resources. Own your home with confidence and success.

[CHECK OUR SAMPLE STANDARD LEASE OPTION](#)

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CONCLUSION

Rent-to-own, also known as lease-to-own or lease option, is an appealing homeownership option that merges renting and buying, offering flexibility and a pathway to property ownership. The benefits include the ability to live in the desired home, building equity through monthly rent credits, and testing the property and neighborhood suitability. However, caution is necessary due to non-refundable option fees, potentially higher monthly payments, unforeseen home repair expenses, and the risk of contracts going unexercised. Prospective renters must consider their financial stability, long-term plans, and the difficulty of finding suitable rent-to-own opportunities. Exploring various property search methods and understanding essential elements and terms in a rent-to-own contract is crucial. Seeking legal advice and utilizing specialized resources can enhance the chances of a successful and favorable rent-to-own experience.



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