



RENT-TO OWN..... BEWARE!

Home ownership is a wonderful thing with many benefits for your family's stability and long term financial health. Many people choose to enter into a "Rent-to-Own" agreement as a stepping stone into home ownership. Unfortunately, this can many times lead to disaster. The below points are some basic questions that should be asked before entering into a "Rent-to-Own" agreement.

RENT-TO-OWN or LAND CONTRACT?

Many times the term "**Land Contract**" is used in place of "**Rent-to Own**" as if there is no difference, however there is a HUGE difference. A true Land contract generally involved a 3rd party escrow company performing the closing with owners' title insurance to offer some protection to the Buyer. Furthermore, a Land Contract is generally filed of record at the county to protect the buyers' interest in the property.

A "**Rent-to-Own**" agreement is nothing more than a standard lease agreement that offers the tenant an option to purchase the property at a pre-determined price. It can sometimes involve a portion of the monthly payment being applied toward the future purchase price. However, this agreement is rarely ever filed of record and offers no protection to the Tenant.

WHY DO I PAY A DOWN PAYMENT or OPTION FEE?

That is a great question? There are very few instances that you should pay a down payment or option fee associated with a "Rent to Own" agreement. Because there is no public record of this agreement you could very easily wind up losing this money if the owner of the property sells the property, is foreclosed upon or if you fail to pay your rent.

DOES PART OF MY MONTHLY RENT GO TOWARD THE PURCHASE PRICE?

This is a great question to ask, however it should not be the focus. Rather, the focus should be on whether you are paying an acceptable market rent for the property. Many times, a property owner will overprice the monthly rent in order to offer a portion of it back to you "if" you purchase the property. This can backfire if the owner sells the property, is foreclosed upon or if you fail to purchase the property by the contract deadline. In any of these cases all of these increased payments will be lost.

Instead of expecting a portion of the monthly payment to reduce the purchase price, a simpler approach is to request that the owner pay a percentage of your closing costs upon purchase of the property. With this approach, you are never overpaying for something and putting your hard earned money at risk.

REPAIRS AND MAINTENANCE. WHAT IS MY RESPONSIBILITY?

Many times, the repairs and maintenance of a property are expectations of the tenants in a "Rent to Own" agreement. This can lead to a huge expense or burden if a large repair occurs such as a furnace or roof replacement. Respectable and professional property owners should always be willing to make repairs to the property while in a "Rent to Own" agreement as long as both the tenant and owner agree these repairs can be added to the final price of the home.