

Rent To Own Basics

Also known as a Lease Option Purchase, understand the details of a Rent To Own home as a smart buyer.



What Is A Rent To Own Property?

To keep it short and sweet a rent to own is just as it sounds, you begin with a lease for a set amount of time with the opportunity to buy the property before your lease ends.

What Does A Rent To Own Property Involve?

Going down the path of rent to own is a great option if you are a prospective homeowner but aren't just quite there in a financial sense. This path not only gives you the opportunity to organize your finances, boost your credit and secure cash for the down payment but also allows

you to hold the property you would like to purchase. Now just because you are in this agreement doesn't mean you are locked into buying the property. You can decide not to purchase the property whether that be due not being able to secure the finances or simply because the property wasn't a fit for you. In either circumstance, you would move out of the property as if it were just a normal rental.

How Much Additional Cost Will Be Involved in A Rent To Own Property?

With proceeding down the rent to own route you will likely have to pay a slightly higher rent rate than if you were to just rent. This higher rent rate is to build credit and, in some cases, it could even be applied to the purchase price of the property. Here at foreclosure.com we not only have an abundance of rent to own properties for you to browse but also provide a step by step guide to ensure that your rent to own process is as smooth as possible.

An Easy Guide To Rent To Own Ownership

Step 1: Find a rent-to-own home - Search the best rent-to-own homes near me on foreclosure.com using our comprehensive database and find your ideal rent-to-own home today.

Step 2: Get a home inspection - It's normally not necessary to commission a home inspection on a traditional home rental, but remember that rent-to-own is not a traditional home rental. This is a short- and long-term investment that requires the utmost attention to detail. And the small upfront cost of a home inspection could save you literally thousands down the road. Therefore, hire an independent home inspection professional to uncover any problems the house may potentially have. It's important to do this even if the current homeowner furnishes a disclosure statement that attests to the condition of the home. If the independent home inspector points out problems, it's important to determine whether or not the issues will prevent you from getting a future home loan once the rent-to-own term ends. Therefore, make sure the contract specifies who is responsible for making the necessary repairs discovered during the inspection

prior to finalizing the rent-to-own agreement. The homeowner might offer a credit off the final purchase price at the end of the rent-to-own in lieu of payment for damages. Either way, be sure to get everything in writing before finalizing a rent-to-own contract

Step 3: Negotiate fair terms - It's critical to sign an agreement that is in your best short- and long-term interests. The rent-to-own option will cost more than a traditional home rental because there are other costs baked into the monthly amount. The good news is these "other costs" such as the initial option fee and monthly credit will go toward the final purchase price. Nevertheless, a rent-to-own contract should always include the length of the rent-to-own lease agreement (usually anywhere from 12 to 70 months), the amount of initial option fee (usually 35 percent of final purchase price), the final purchase price at the end of the term, and the amount of the monthly payments that will go toward the purchase price. These figures are all negotiable.

Step 4: Review the contract - It is highly recommended that you hire a real estate attorney to review the rent-to-own agreement. In addition, be sure to contact a home insurance agent to determine the coverage that you will need. Indeed, now that you have an interest and will be invested in the home, you may require additional insurance to protect it.

Step 5: Execute the contract - Once you fully understand all the terms of the rent-to-own agreement -- and have had an attorney look it over and provide feedback -- it's time to finalize the deal. Of course, signatures from both parties will be required at this time, as well as upfront payments such as the agreed-upon "option fee," the monetary consideration that is necessary to make the rent-to-own contract binding.

Step 6: Make monthly payments - Rent-to-own homes will typically cost a bit more than the fair market value of other home rentals in the area. That's because a portion of the monthly rent-to-own payment will be designated as a "rent credit" -- up to 20 percent of the monthly amount due -- will go toward the purchase of the home when the agreed-upon term expires. It's important to make these monthly rent-to-own payments on time and as scheduled.

Step 7: Start planning (for end of contract) - As the end of the rent-to-own contract nears, it's a smart idea to address any minor problems that the home inspection turned up. If possible, it's also a good idea to make small cosmetic improvements and upgrades. This will help increase the value of the home prior to applying for a mortgage loan. It's called sweat equity ... and it can make a big difference when it's time to negotiate favorable mortgage loan terms.

Step 8: Apply for a mortgage (at end of contract) - Part of planning for the end of a rent-to-own contract is identifying a mortgage company that can help you finance the balance of the home loan. The mortgage company will:

1. Run your credit
2. Verify your employment
3. Verify your income
4. Verify your debt-to-income ratios

This will ensure that you are not getting into a contract to purchase a home that you can't afford. It's important to give yourself a decent head start on the mortgage loan application process to see where you stand, as well as give yourself time to repair and/or fix any credit-related issues that might prevent you from obtaining a home loan. That's because you need to be ready with an approved mortgage loan on the date specified in the rent-to-own contract.

Step 9: Close on your new home! - Once you have satisfied the terms of your rent-to-own contract, made improvements to the property, lined up your home loan financing and closed on your rent-to-own home, the last thing you need to do is celebrate — You are now a proud, new homeowner. Congratulations!

Rent To Own Summary

Rent to own is a terrific option for those who want to buy a property but are having trouble seeing themselves settling down in one spot. Rent to own gives you the opportunity to secure a property without the commitment of buying it immediately. You just rent for a short period of time. If you do love the property, then it is yours to buy and all there is left to do is throw a



housewarming party.

When purchasing any real estate, the informed buyer needs to study the property and take measures to make the transaction as profitable and safe as possible. To prepare for opportunities in the foreclosure real estate market you should create a team of specialists to help you. Having a professional property inspector, appraiser, and a good title agent and real estate broker can be important elements in determining if a foreclosure property is right for you. Taking an organized approach to help simplify the process of bidding on foreclosure properties, use the checklist at this location: [Click to get the Home Buyers Checklist](#)

Foreclosure.com is the leading online resource to find property like sheriff sales listings nationwide. You can setup free email alerts to get notified of the latest listings as they are updated daily. www.Foreclosure.com