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Rent to Own Report

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Introduction

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Introduction

Currently, many homebuyers find it difficult to quality for mortgages from traditional lenders, since lending standards are tighter than ever. These problems with the real estate market have led homebuyers to pursue non-traditional home buying options, such as rent to own homes. While this buying method has recently surged in popularity, it is not a new concept. Lease option homes have a long history, but recent difficulties in the real estate market have brought this non-traditional option to the forefront for those looking for a way to realize the dream of homeownership.

An Alternative to Traditional Home Mortgages

In the past, taking out a home mortgage has been the financing method of choice for most buyers. However, after crash of the housing bubble in 2008 and the subsequent economic downturn, the real estate market changed drastically. The disaster with Fannie Mae and Freddie Mac led lenders to begin tightening lending standards to avoid similar disasters in the future.

Qualifying for a home loan is difficult for all prospective homebuyers that do not have excellent credit. Consumers who may have been able to qualify for a home loan in the past may no longer have that option, which means that they have to look for an alternative way to make their homeownership dreams a reality. Rent to own homes offer an excellent answer for many consumers.

What's involved?

Rent to own homes transactions work in a different way than a traditional home rental or a traditional home purchase. In a traditional rental situation, the renter just pays monthly rent installments to his or her landlord without the option to ever own the property in the future. In a traditional homeownership situation, an individual purchases a home outright by making a down payment and qualifying for a home mortgage loan.

However, rent to own homes allow an individual to enter into a contract with the current owner of the residence, which says that he or she will have the option of buying the residence at any point during the rental period. Such an arrangement is what makes rent to own homes agreements so much different than just the traditional rental or purchase transaction.

Who Can Benefit from Rent to Own Homes?

Consumers in many different situations may find rent to own homes a viable option when looking for a way to achieve homeownership. Prospective homebuyers who want to own a home but need time to prepare will find this option helpful. For example, the individual could have credit problems or difficulty qualifying for a home mortgage loan. In these cases, entering into lease option arrangement can enable individuals to live in the home while repairing credit or working to qualify for a home mortgage loan. The renter can actually occupy the residence of their choice until financially able to make the purchase, which will normally occur at the close of the rental period.

Purchasing a home does not have to remain a dream for consumers today. Rent to own homes offer an excellent solution to buying a home, but they can be confusing. It is important to be well informed on the topic before deciding to go this route.

PART 1

LOFT RENT TO OWN

What are Rent-To-Own Homes?

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Part 1: What are Rent-To-Own Homes?

For many homebuyers, the prospect of homeownership is synonymous with the American Dream. Individuals used to work hard, save their money, qualify for a home loan and then finally purchase the home of their dreams. If only that formula was still reliably applicable to today's housing market!

Unfortunately, due to the massive problems with the real estate market in the last few years, qualifying for home loans has become a challenge for prospective homeowners. While that might seem like reason to put off any dreams of homeownership, consumers do have other available options. In a situation where an individual cannot qualify for a home loan, they might want to look at rent to own homes, often referred to as lease to own properties.

How does it work?

Rent to own transactions differ from traditional home purchases. The potential renter enters into a deal with the landlord to buy the property by a set date in the future and at the present-day market value. While the renter is actively paying rent, considerations need to be taken in order to effectively save for the required deposit. In some of these scenarios, a renter will not only have established such an arrangement or agreement with the landlord, but also may well pay said landlord additional rent towards the deposit required to make the final purchase.

The whole point of rent to own properties is to allow prospective buyers to make the final purchase at a later date. This means is that instead of a renter just agreeing to purchase the piece of real estate at a fixed cost, he or she is smartly putting forth payments toward the eventual purchase of the residence by way of additional payments.

An Example

The following is a very simplified example to help consumers further understand rent to own homes. For instance, a buyer finds a property they like commits to a lease of two years for said property. At the same time, the buyer would then pay the owner of that residence a fee of $1,000, which is called the "option fee." This means that the intended buyer is going to occupy the residence for the period of those two years.

Within those two years, the prospective buyer can either purchase it or pass on the purchase. During that two-year period, the seller only has the option of selling that property to the intended buyer.

However, consumers considering this option should realize that they will have to forfeit the option fee" if they decide to pass up on the chance to eventually purchase the residence.

On the flipside, if the prospective homebuyer ends up buying the residence inside of the specified time period, they will routinely receive their "option fee" back in the form of a credit.

What is the Difference between Rent to Own Homes and just Renting?

Some individuals hear the term, "rent to own homes" and confuse it with renting a home? Both terms include the word "rent," which is a cause for some confusion. It is important to realize that there is a big difference between renting a home and renting to own a home. To help clear up some common misconceptions and confusion, the following will clarify the differences between the two real estate concepts.

Landlords

When renting a property, consumers have a landlord that probably will not want to sell the property to anybody. While one could view the seller as the landlord in a rent to own transaction, this is not an accurate picture. It is more accurate to view the seller as a motivated seller who eventually wants to succeed at selling the home to the renter, who will eventually become the new owner.

Purchase Price

In the case of a rental property, the purchase price will never be discussed or even referred to at all since there is no desire for the property to be sold. With rent to own homes the purchase price is actually determined at the beginning of the agreement. The purchase price that is determined at the beginning of the lease will be done through something referred to as the "option to purchase."

Repairs

With a rental property, the landlord is actually the one who is accountable for making all the repairs that the property requires. In the case of rent to own homes, this no longer applies, mainly because there really is no landlord. Since the person renting the home will be the eventual owner in a rent to own homes scenario, they are responsible for any and all repairs. After all, the renter will be eventual homeowner, so he or she will be treated as such.

Cost of Rent

If one rents a property, the ensuing cost of rent is going to be set based upon the market rates. For rent to own homes, the rent is likely going to be higher than what the normal rent would be because a fraction of it is going to be reserved either for the down payment or as a contribution towards the actual selling price. This allows the eventual buyer build up some equity as he or she is anticipating an eventual purchase.

Working with Loft Investment Properties

Prospective buyers interested in rent to own homes will find that Loft Investment Properties offers many exciting benefits.

Stay Protected

Even with rent to own homes, certain problems may come along, which is why buyers must learn more about protecting themselves effectively. It is imperative to remember never to deal with an owner who has financial problems, since they could end up losing the property while the buyer is engaged in a lease option transaction.

To guard against this situation, one could easily insert the necessary lease payments into an account that goes directly to the home lender. Of course, when a buyer is considering rent to own homes, it is important to check to ensure that both the insurance and the taxes have been paid.

At a Glance

What have we learned about rent to own homes? We have learned that:

- Lease option deals allow home ownership for buyers who have a hard time qualifying for a home loan.
- Lease option agreements are agreements between a renter and a landlord to purchase the home at a set date for the present-day market price.
- Rent to own homes start with a lease of the residence.
- There is a huge difference between rent-to-own homes and just renting any property.
- Rent money is lost forever if one just rents, but a fraction of the rent in rent to own homes is utilized toward either the down payment or even the price.
- The seller is not really the landlord in a rent to own homes situation.
- The purchase price is agreed upon at the start of the lease.
- Repairs are handled by the eventual buyer in rent to own homes situations.
- The cost of rent might be a bit higher in rent to own homes arrangements than in simple rental scenarios.
- **Loft Investment Properties** is a great resource for those searching for rent to own homes.

PART 2

LOFT RENT TO OWN

Pro and Cons of Lease Options for Home Buyers

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Pro and Cons of Lease Options for Home Buyers

Purchasing a home, even with non-traditional methods, is a huge decision. Homebuyers considering rent to own homes need to weigh their decision carefully to ensure this option offers them the best route to home ownership.

Looking at the pros and cons of this buying method is important before making a final decision. The following pros and cons should be thoroughly investigated by homebuyers so an informed decision can be made.

The Pros

PRO #1 – Easy to Qualify
The ability to easily qualify for rent to own homes offers one of the biggest pros to homebuyers. Qualification guidelines from lenders like mortgage companies and banks come with specific qualification guidelines and those guidelines are tougher than ever. Some of the common qualifications for conventional lenders include tax records, minimum credit score, affordability ratios, minimum employment history and debt-to-income ratio.

When going with the lease option, the seller dictates the guidelines, making it easier for homebuyers to qualify. In most cases, the main factors may include monthly lease payment, paying the option fee and a look at previous rental history.

PRO #2 – Immediately Occupy the Home
Homebuyers may occupy the home immediately after paying the lease payment and option fee, which is another benefit of rent to own homes. When going with traditional financing, it can take weeks or even a couple months to complete the process and move into the home. Instead of dealing with inspections, home appraisals and gathering various documents, the lease option process is more upfront and makes it easy and fast to move right into the home.

PRO #3 – Time to Improve Credit
Choosing rent to own homes allows homebuyers time to improve their credit before attempting to acquire a home mortgage. With this home buying option, buyers can work on their credit while living in the home. Before signing a contract, consider the amount of time need to improve credit and then choose a lease period that will coincide with the time needed to improve credit.

If the seller is actually providing the financing for the home, credit will be even less of a problem, offering an excellent solution to homebuyers with less than perfect credit.

PRO #4 – Try the Home Before Purchasing

Once the option fee is paid, a partial commitment has been made to the home. However, homebuyers still have the benefit of trying the home before making the final purchase.

In some cases, buyers realize that the home may not offer the benefits they want. At times, declining property values, rising taxes, needed repairs or even undesirable neighbors may make buyers realize that they do not want to buy into the situation. At the end of the lease period, one can walk away without buying the home. Keep in mind, walking away will mean that the option fee is forfeited.

PRO #5 – Save for the Down Payment
Many potential homebuyers find it difficult to come up with the down payment needed to purchase a home, since it can be as high as 20% as the total purchase price. Rent to own homes allow buyers to save for the down payment over time, making it easier to come up with the down payment needed.

The Cons

CON #1 – May Pay Higher Sales Price
In many cases, sellers set the sales price higher for rent to own buyers. Sellers may sell at a cheaper price to cash buyers, but often try to get a higher price if going the rent to own route, since they have to wait longer to sell the property. Of course, the price of the home is negotiable. Since the real estate market is current a buyer's market, potential homebuyers have a strong position when entering negotiations on the lease option, which often allows them to negotiate a lower price than the original asking price of the seller.

CON #2 – Potential of Lease Cancellation
Homebuyers must consider the potential risk of lease cancellation when considering rent to own homes. Late payments may cause the seller to cancel the lease. If the lease is cancelled for this reason, homebuyers may lose the option fee paid in the beginning.

CON #3 – No Tax Deduction for Interest
When buyers finance a home with traditional lending, they may deduct the interest paid on the mortgage. However, while going through the lease period on rent to own homes, homebuyers will not be able to receive a deduction on mortgage interest. For some, this may be a potential con to consider before making this decision.

CON #4 – Rents May Be Higher Than Normal
In some cases, rent paid during the lease period may be higher than normal rent amounts in the area. This may turn into a problem if the buyer decides not to follow through on the option to buy, since the buyer will have spent far more on rent than would have been spend in other rental situations.

CON #5 – Potential Title Encumbrances
Homebuyers must beware of potential title encumbrances when choosing the lease option. If the property has any liens or other encumbrances against it, this can cause a substantial problem

when buyers are ready to make the final purchase. To avoid this problem, having an attorney or title company verify that the title is free of any encumbrances is important. However, this research is the responsibility of the homebuyer when deciding to go with rent to own homes.

At a Glance:

- Rent to own homes do away with stringent lending requirements for home loans.
- Rent to own homes allow homebuyers to avoid paying a down payment.
- Rent to own homes allow potential homebuyers to fix problems credit problems.
- Rent to own homes allow potential homebuyers to establish credit if needed.
- Rent to own homes offer the benefit of trying the home before buying.
- Title encumbrances can be a problem, which the potential buyer should investigate.
- Homebuyers may pay higher than normal rents.
- Some sellers may have a higher asking price for rent to own homes.
- The potential for lease cancellation should be investigated.
- Tax deductions on interest do not apply during the lease period.

PART 3

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Pros and Cons of Lease Options for Sellers

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Part 3: Pros and Cons of Lease Options for Sellers

Sellers considering this option need to consider both the pros and cons before deciding to go this route. Even prospective homebuyers can benefit from understanding the pros and cons for sellers, since this gives buyers a good picture of what sellers will be thinking.

The Pros

Pro #1 – Reduce Risk with the Non-Refundable Option Fee

Sellers enjoy a reduction in their risk by using the non-refundable option fee. When closing a deal on rent to own homes, buyers are required to pay an option fee to the seller, which will not be refunded. This gives sellers a sense of security when choosing this option, since the buyer can walk away from the deal. In most cases, the rent amount paid by the buyer is not refunded when the buyer defaults on the agreement, which also helps to protect the seller, reducing their risk.

Pro #2 – No Commission to Pay

When sellers choose to sell using the lease option, they avoid paying commission to a real estate agent. The commission on a home can total thousands of dollars, but sellers save this money when they sell on a rent to own basis. Along with saving on the cost of commission, sellers usually find a good buyer quickly, since many buyers are attracted by rent to own homes.

Pro #3 – Attract Quality Tenants

Sellers benefit from the high quality of tenants interested in rent to own homes. Most prospective homebuyers that choose this option have a vested in the home and they will treat it as if they own the home. Since tenants already feel like homeowners, they usually care for the home carefully, allowing sellers to enjoy great tenants. Common tenant problems are avoided in most cases when the buyer is planning to purchase the home.

Pro #4 – Command Good Sales Prices in a Tough Market

When selling rent to own homes, most buyers are attracted to the home because of the excellent financial terms being offered. Homebuyers will enjoy getting a good value when they finally purchase the home and they have time to get their finances and credit in order when choosing this route. All the benefits for homebuyers allow sellers to command great prices, even though they are dealing with a tough market.

Pro #5 – Avoid Vacancies

Vacancies pose a big problem for many sellers working to sell their home in a market saturated with homes for sale. Rent to own homes offer a solution to this problem, helping sellers avoid dealing with long vacancies. Most sellers find that once they advertise the home as a lease option home, they are overwhelmed with potential homebuyers. This allows them to quickly choose a homebuyer, negotiate the terms and get the contract underway. Once a contract is signed, buyers can move right in and the seller avoids letting the home set vacant for months while they try to sell it.

Pro #7 – More Prospects

Choosing the lease option when selling a home allows buyers to enjoy more prospects for the property. Instead of marketing the home to traditional buyers, rent to own homes are available to non-traditional buyers and renters. A high percentage of the potential homebuyers who want to buy real estate are unable or unready to get the financing they need right away, meaning that there is a huge market for rent to own homes. More prospects allow sellers to command better prices and get someone in the home faster.

The Cons

Con #1 – The Renter/Buyer Could Opt Out

Sellers must also remember that the renter/buyer has the potential to opt out of buying the home at the end of the lease period. If a homebuyer opts out and decides not to buy the home, this may pose a problem for the seller, since they must put the home on the market once again. Sellers should consider this carefully before deciding to add their property to the list of available rent to own homes.

Con #2 – The Potential for Less Profit

Choosing the lease option may potentially cause the seller to bring in less profit on the home than they would when selling it another way. Since the price is locked in at the beginning of the lease period, home prices could go up over the next couple of years. This definitely benefits the homebuyers, allowing them to enjoy a great deal, but sellers may miss a higher profit.

At a Glance

- A rent to own homes contract allows the seller of the home good stream of income.
- The option fee helps reduce the risk for sellers.
- Even in a tough market, sellers can command a good price on the home.
- More prospects are available for rent to own homes.
- Rent to own homes attract quality tenants.
- Sellers may potentially miss out on a higher profit.
- Homebuyers can walk away from rent to own homes, which may cause problems for sellers.

PART 4

LOFT RENT TO OWN

Rent-to-Own FAQ

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Part 4: Rent-to-Own FAQ

Although rent to own homes have been available for some time, many people are still unfamiliar with this non-traditional buying option. Many potential homebuyers find themselves asking questions about the lease option process and some of the important terms surrounding it. Buyers can refer to these Frequently Asked Questions and their answers when going through the process of signing a contract on a rent to own home.

Although rent to own homes have been available for some time, many people are still unfamiliar with this non-traditional buying option. Many potential homebuyers find themselves asking questions about the lease option process and some of the important terms surrounding it. Buyers can refer to these Frequently Asked Questions and their answers when going through the process of signing a contract on a rent to own home.

Q. How do rent to own homes work?

A. Rent to own homes allow homebuyers to lease a home while reserving the option to buy the home at any time either during the period of the lease or the end of the lease. During this stretch of time, the homeowner's hands are tied and they are not permitted to advertise the residence as for sale after entering an agreement to sell it to the prospective buyer.

There are two sections to a rent to own agreement. The first section establishes what the monthly rental payment will be. The second section of the rental agreement establishes that the homeowner is bound to sell the residence to the prospective purchaser at a predetermined price.

Q. What is the option fee?

A. An option fee is often confused with a rental security deposit, although they are not the same. This fee is paid up front at the start of the lease. In most cases, the option fee is not refundable at all, something that potential homebuyers should keep in mind. Whether or not the prospective homebuyer decides to go ahead and buy the residence in question, the seller will still keep the fee. In some specific kinds of rent to own homes agreements, this particular option fee is applied to the buying cost of the home.

Q. How much will the option fee cost?

A. The option fee is an integral part of lease to own agreements. According to the SF Gate website, a usual option fee falls between three and five percent of the agreed upon buying price. Of course, this is just an average figure, so it can vary, depending on each unique situation. The good thing about rent to own homes is that the parties involved may negotiate the amount of the. Usually, sellers are attracted to homebuyers that can put down more money on the home.

Furthermore, the more cash that homebuyers contribute as part of the option fee, the less they will need to finance elsewhere when the lease expires and they are ready to purchase the home.

Q: Who should consider rent to own homes?

A: Many individuals find rent to own homes an attractive option. Previous sales have shown that the following people often consider lease option properties:

Homebuyers who like to invest in real estate.

Homebuyers fed up with being just renters and want to head toward real homeownership.

Homebuyers that want to try out a new school district or a new neighborhood prior to making a commitment to it in the long term.

Homebuyers dealing with damaged credit and who may be currently incapable of qualifying for appropriate mortgage rates because of credit problems.

Homebuyers who need and want time to get their finances in order before making a home purchase.

Q: Is there an obligation on the part of the renter to purchase the home at the close of the lease period?

A: No, there is absolutely no obligation on the part of the renter to purchase the home at the close of the lease period. The seller gives the homebuyer the first option of buying the home, yet the ultimate decision of whether to purchase or not to purchase is totally up to the renter.

Q: Is the down payment going to be given back to the renter if he or she refuses to go through with purchasing the residence at the close of the lease period?

A: The down payment is going to be non-refundable. If one refuses to take advantage of the buying option, then previously money probably will not be returned. This feature of rent to own homes should carefully considered by buyers before entering a lease option agreement.

At a Glance

Rent-to-own homes are based on a lease of a residence with an option to eventually buy the residence.

The option fee will be paid up at the start of the rental period.

The option fee usually falls between three and five percent of the predetermined buying price.

The monthly rental credit is a fraction of the monthly rental payments that is put aside to go toward the purchase of the home.

The seller of the home pays for the homeowner insurance and the real estate taxes, then the renter/buyer eventually does.

Rent to own homes are great considerations for many individuals.

There is no obligation put on the renter to actually buy the home at the close of the lease-to-own period.

PART 5

LOFT RENT TO OWN

Key Tips for Home Buyers

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Part 5: Key Tips for Home Buyers

Rent to own homes provide a great choice for buyers who have problem credit or difficulty qualifying for a home mortgage. In essence, rent to own homes allow many homebuyers to achieve the dream of home ownership, even if they cannot afford something as fundamental as a down payment.

However, before entering into a lease to own agreement, those considering lease option homes should become familiar with what they can expect after signing the contract. The following is a look at some important information that prospective buyers should know about rent to own homes.

Rent-To-Own Homes Make Moving In Easy

One of the reasons for the popularity of rent to own homes is the ease with which homebuyers move into them. Rent to own homes allow renters move into homes without any dealing with banks or the mortgage companies. Little paperwork is required, which also makes it faster for homebuyers to move into the home of choice. Finally, many lease option agreements may not require a credit check or come with minimal credit requirements, making it easy to complete the contract and move right into the home of their dreams.

Home Sweet Home

Rent to own homes allow homebuyers to quickly make the property feel like home, which is quite different from a situation where an individual only rents the residence. In most traditional rental situations, the tenant normally needs to get any changes or improvements approved by the landlord before taking care of them. This is not the case with lease option homes, which is another reason they are so beneficial.

Most of the rent to own homes contracts allow the prospective buyer to make changes to the home and property, which includes renovating, painting and even landscaping it the way that is desired. This allows homebuyers to make the property feel like their own home. However, homebuyers must remember that money they spend on repairs or changes to the property will not be given back to them if they decide not to purchase the home at the end of the lease period.

Credit Repair is Essential

Some homebuyers who enter into rent to own homes contracts will never end up purchasing the homes by the end of their contract. Those with credit problems need to take measures to improve their credit during the lease period if they want to qualify for financing for the home. Individuals can work on improving their credit on their own or they may want to use the services of a credit specialist. Failing to repair credit during the lease period may mean that homebuyers are still unable to make the final purchase in the end, which means they have spent money on the lease option fee, rent and improvements in vain.

Researching the Price is Key

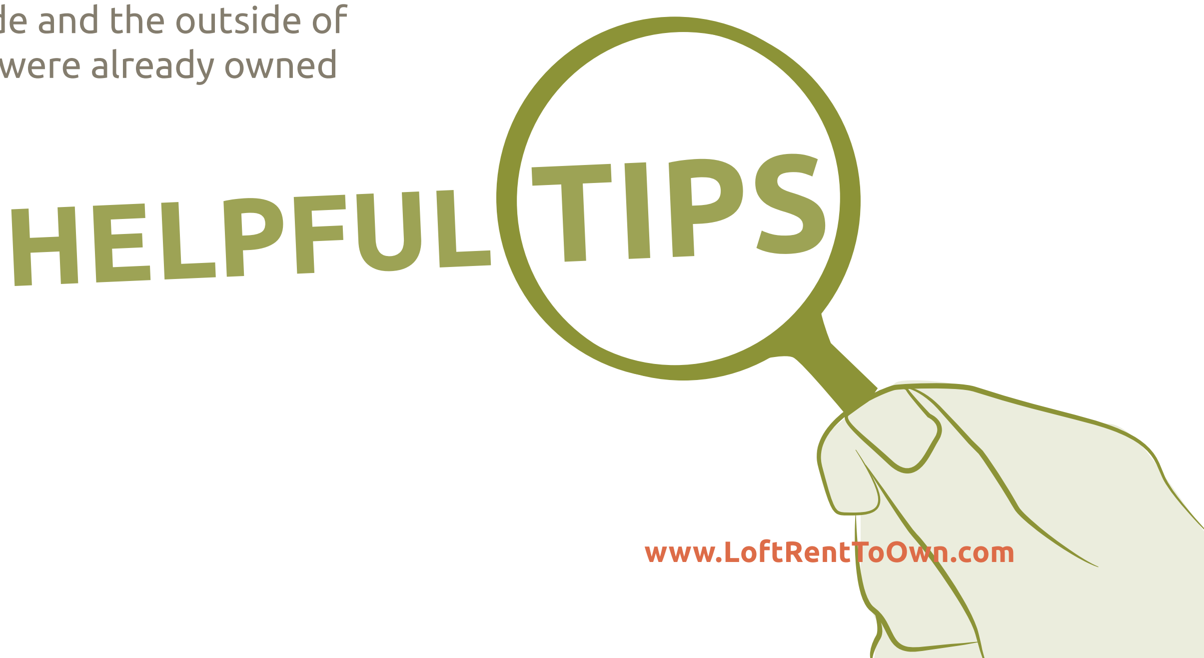
Homebuyers must be aware that the prices on rent to own homes are often higher than homes sold traditionally. However, homebuyers still need to spend some time researching the price the seller is asking to ensure it is a reasonable price. This research includes checking out comparable homes in the area to see what they have been selling for, which helps homebuyers decide if the asking price is really a good deal.

Having the home assessed for value can help as well, since it gives prospective buyers an idea of what the home is currently worth before negotiating a purchase price. While paying a bit more for the benefits of lease option homes is to be expected, homebuyers should avoid overpaying too much on a home that may not increase in value over time.

Locking in a good price now can be beneficial to homebuyers, so doing a bit of research is important to ensure the seller is not charging an unreasonable price for the home being considered.

At a Glance:

- Rent to own homes are favorable to people with bad credit scores.
- Rent to own homes are relatively easy to move into.
- The contracts of most rent to own homes are structured in such a way that the renter can actually start to improve the inside and the outside of the home as if it were already owned by him or her.
- Chances for eventually buying the home can be increased by repairing credit.
- Eventual buyers should ensure that the purchase price corresponds to the real value of the home.



PART 6

LOFT RENT TO OWN

Getting ones credit in order

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Part 6: Getting ones credit in order

Before purchasing any home, homebuyers should get their credit in order. In today's tough economy, many prospective homebuyers have less than perfect credit. Some have gone through foreclosures, others have had to file bankruptcy and some have had trouble meeting bill payments due to job loss and other difficulties.

While bad credit may not hold buyers back when purchasing rent to own homes, homebuyers still need to get their credit in order, no matter the reason for the credit problems. Other homebuyers may not have any credit, which may require some work as well.

Why Credit Repair is Important

Buyers should not underestimate the importance of fixing their credit when preparing to purchase a home. The homebuyer's credit score can determine the interest rates on mortgage loans and a credit score that is too low may make it nearly impossible to qualify for a mortgage, especially with the rigid lending specifications today. Rent to own homes allow potential homeowners some time to get their credit in order before applying for financing, but credit is still important, even with this window of time to fix bad credit problems. Wasting the time available and failing to improve credit may result in being unable to make the purchase, which will mean all the money spent on the lease option was in vain.

Clearing up Inaccuracies

Buyers that want to improve credit when buying rent to own homes need to carefully deal with any inaccuracies on their credit report. Many individuals investigate and find inaccuracies on their credit report that are affecting their overall credit and credit score. The good news for homebuyers is that clearing up these inaccuracies can help improve their credit. Buyers should start by checking their credit reports from each of the credit reporting agencies, including Experian, Trans Union and Equifax. After receiving the credit report, checking each entry for accuracy is essential.

If buyers find any inaccuracies, they can dispute them with the credit reporting agency. Individuals should compose a letter of dispute along with any information that proves the inaccuracy of the entry and send the letter to the credit reporting agency. Any inaccurate entries must be removed by law, which will help buyers improve their credit score so they are better able to attain financing for the lease option home they plan to purchase.

Important Considerations to Remember

One of the biggest factors when it comes to determining one's credit score is past payments to creditors. If a potential homebuyer has been on time with payments to creditors in the past that will count in a positive way toward the credit score. Even just a few late payments to creditors can really lower a homebuyer's credit score. As a result, offered mortgage interest rates may be substantially higher than those offered to individuals with good credit.

In some cases, writing a letter to the lender explaining the problem may be helpful. The individual may have dealt with a job loss or an illness that led to the late payments. While not every lender will take this information into consideration, some lenders, such as FHA lenders, will keep that information in mind when deciding whether to approve the home mortgage loan.

Caution

While some credit repair companies can be helpful when homebuyers work to repair their credit, individuals must watch out for potential scams. Companies claiming to erase credit problems may be a scam. It is not possible for companies to completely eliminate every bad mark from a credit report. Only inaccuracies can be removed when disputed. When deciding to make use of a credit counseling or credit repair company, take time to research the company and what they offer to avoid becoming involved in a scam.

At a Glance

- Getting one's credit in order is essential to homeownership.
- Fixing one's credit is essential to obtaining a good credit score, which lenders consider.
- Inaccurate in one's credit report may adversely affect one's credit score.
- Homebuyers should be careful to avoid credit counseling or repair scams.

PART 7

LOFT RENT TO OWN

Rent-to-Own homes are not for everyone

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Part 7: Rent-to-Own homes are not for everyone

Many prospective homebuyers find rent to own homes to be an excellent option that fits their unique financial and home ownership needs. Those who need time to improve their credit can benefit from lease option properties.

Individuals having a tough time qualifying for a mortgage also make great candidates for lease to own homes. Of course, rent to own properties may not be for every potential buyer. Take a careful look at instances where renting to own may not be the best solution for a homebuyer's needs.

Discipline

Homebuyers must have discipline to make a rent to own property work out. For instance, if a homebuyer does not have good credit, then they must work hard to fix the bad credit in order to qualify for the financing needed to buy the home at the end of the lease period. Those who need some time to save up for a down payment must be disciplined enough to work hard to save the down payment money before the end of the lease period so they can make the final home purchase.

Some individuals have bad money habits that have led to financial downfall and without discipline, this home buying option will never work. Homebuyers who do not feel they are discipline enough to make the changes needed to go this route should consider another option when they are ready to purchase a home.

Mortgage Readiness

When entering into rent to own contract, buyers need to prepare to qualify for a mortgage, which will probably be needed to finance the final home purchase. Various things will need to be done to make sure the buyer is ready to take out a mortgage. Buyers need to work on paying the monthly rent amount on time and should also ensure that all other bills are paid on time as well.

Those without credit will need to work to establish good credit in preparation for mortgage qualification. Potential buyers with credit problems will need to take steps to fix those problems before they are ready to apply for a mortgage loan. Individuals unwilling to prepare to take out a mortgage should be ready to make financial changes and take action to ensure they qualify for the needed financing.

Indecision

Rent to own homes require commitment on the part of the homebuyer. The goal of homebuyers is to eventually be able to purchase the home of their dreams. This means that homebuyers must stick with the home until the end of their contract or they will encounter certain consequences.

If potential buyers are experiencing any indecision before entering a lease option contract, it is best to avoid making the commitment until they are ready. Walking away from a contract will result in losing the lease option fee as well as the rent paid, so this option works best for those who are sure they want the home before making the commitment. Those who may have to move in the near future or those who may face frequent job changes should probably rethink this home buying option.

Steady Income

Making the financial commitment to purchase a home requires a steady income, no matter the exact method of purchase chosen. To afford rent payments and future down payments, prospective buyers must insure they have a steady income coming in before signing a lease option contract.

Not only is a steady income important when paying the lease payments on rent to own homes, but when applying for financing at the end of the lease period, homebuyers will be required to show lenders proof of steady income. Most lenders require applicants to show steady income for at least the past two years.

At a Glance

- Those without financial discipline may want to reconsider before choose a lease option home.
- Rent to own homes are not for people who are not committed to preparing to qualify for an eventual mortgage loan.
- Homebuyers should avoid signing a contract if they are indecisive about the home.
- Rent to own homes are not for buyers who may move in the near future.
- A steady income is essential for those who want to pursue lease option homes.

PART 8

LOFT RENT TO OWN

Final Buyer Checklist

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Part 8: Final Buyer Checklist

Buyers do not want to be caught unaware after signing a contract on rent to own homes, which is why it is important for buyers to go over a final checklist before signing the contract.

Even though homebuyers have the option to walk away from the home, walking away is not a great option, since it involves losing a substantial amount of money. Before signing the contract on the lease option home, carefully go through the following checklist ensure every aspect has been covered.

Consider Checking the Seller's Credit Report

While sellers often check the credit report of potential homebuyers before going through with the lease option contract, homeowners often forget to check the credit report of the seller. Buyers need to avoid entering into a contract with sellers that may have substantial credit problems, such as outstanding debt, delinquent accounts or liens against the home being sold.

Homebuyers will be investing a substantial amount of money in the home. No one wants to lose their hard-earned money because the home they chose is foreclosed on before they can purchase it. To avoid scams or potentially dangerous situations, taking time to check the seller's credit report is an important task to complete before signing the contract.

Buyers interested in rent to own homes often fail to think about the possibility that the seller could lose the property. Even checking the credit report may not clue buyers into potential problems in the future. A home may be lost by a seller in a lawsuit, due a tax judgment or in a divorce situation. Keep these risks in mind before deciding taking the final step to enter a contract on rent to own homes.

Home Inspection

Another important task on the buyer's checklist should be to have a home inspection done on the home. Homebuyers need to ensure everything is in order before they sign a lease option contract. A home inspection is an important part of due diligence that potential homebuyers should do before buying. The home inspection will bring to light any problems, which may affect the final price of the home. Homes can be assessed for overall value as well, which helps buyers ensure they obtain the home for a reasonable price.

Talk to a Mortgage Broker

Before going through with the contract on rent to own homes, buyers should take time to talk to a mortgage broker. This helps buyers determine where they are in the process of qualifying for a mortgage. If they are not currently qualified to get a mortgage loan, buyers have the ability to find out what changes they need to make to qualify. Buyers may find out how much time they will need to get everything in order to qualify for a good mortgage with reasonable interest rates, helping them to decide on the length of the lease period. If homebuyers are unable to attain financing within a reasonable amount of time, it may not be the right time to go through with a lease option.

Be Clear on the Type of Agreement

Some homebuyers make the mistake of entering into a "lease purchase agreement" on a home instead of a "lease option agreement." Why does this make a difference? A "lease purchase agreement" requires the homebuyer to purchase the home at the end of the lease period.

If the home is not purchased, the buyer may face legal consequences for failure to make the purchase. A "Lease option agreement" gives buyers the option to purchase the home at any point in the lease period or at the end of that period, but they will not be penalized if they choose not to make the purchase.

Check Requirements on Repairs and Maintenance

Before signing the lease option contract, homebuyers must check the requirements noted on repairs and maintenance tasks required on the home. Some contracts may specifically note that the buyer is responsible for any repairs and maintenance on the home. Other contracts note that the seller will be responsible for maintenance and repairs. Carefully note the language and responsibilities listed in the contract before signing to avoid any misunderstandings and confusion in the future.

Condition of Title Report

Attaining a Condition of Title report should be a top priority for homebuyers before signing the contract. The Condition of Title report offers invaluable information on the home and the title, such as showing how long the seller of the home has owned the property. The longer the seller has owned the home, the more stability and equity the home should have. Information provided in the Condition of Title report also allows potential buyers to find out if the title has any liens against it, which could affect their ability to purchase the home.

At a Glance

- Always investigate the credit report of the seller.
- Consider the possibility that sellers could lose the property.
- Home inspections should be conducted before signing a contract.
- Talking to a mortgage broker is a wise course of action.
- Ensure the agreement is a "lease-option agreement" and not a "lease-purchase agreement".
- Obtaining Condition of Title report on rent to own homes is essential.

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Conclusion

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Conclusion

Rent to own homes provide great alternatives for homebuyers who want to own a home, but who cannot meet the stringent lending requirements lenders have today. These homes offer great opportunities for individuals and families that want to try a home before fully committing to home ownership.

Lease option properties also offer excellent opportunities to homebuyers who are either in the process of attempting to fix their credit or working to establish their credit. Of course, rent to own homes also provide excellent benefits to sellers as well, which means this process can be beneficial to both parties involved in the contract.

Knowledge is Power

Armed with the information offered in this book, buyers can approach rent to own homes feeling confident about their knowledge of the procedure. Being well informed gives buyers an advantage as they enter into a lease option contract, helping them ensure they are making a wise decision for their specific financial and home buying information.

While rent to own properties come with many advantages, certain disadvantages must be considered too. Weighing both sides of the situation allows potential buyers to make the best possible decision for their needs. Remember, knowledge is power and will offer every homebuyer great benefits as they work to experience their dream of home ownership.

After the Contract is Signed

Once homebuyers sign the contract on rent to own homes, the journey is far from over. It is exciting to finally begin the journey towards home ownership, but homeowners cannot stop working hard after the contract is signed.

After settling into the home, homebuyers need to start working hard to ensure they can purchase the property after the lease period is up. This may include improving credit, saving for a deposit or working to qualify for good financing. Buyers should enjoy the new home, but never stop working towards the end goal of making the final purchase. The dream of homeownership is about to come true!