

# Rent to Own Nightmares

*and How You Can Avoid Them*

Rent

Own



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# Rent to Own Nightmares

## and How You Can Avoid Them

With the downturn of the economy and the fact that the banks are more hesitant to lending to many people, homebuyers and sellers have resorted to another strategy as opposed to the traditional approach. It's called "**Rent to Own**", also known as "**Lease Option**", and it is basically an arrangement between a buyer without stellar credit and a seller that the buyer may rent the home until the buyer can qualify to buy the home. While this sounds great for both parties, there are a wide variety of Rent to Own agreements that can end up putting one of the parties in quite a messy situation.



It is not always the buyer, often called a "**tenant buyer,**" with the credit problems that is at fault, but the seller can also put the buyer and their living situation in peril.

*Here are some of the most outrageous Rent to Own stories that we have heard of:*



**The home is foreclosed upon and the tenant buyer does not even know.**

The tenant buyer has made all of the payments on time, has taken care of the property and is well on their way to reaching a qualifying credit score but the seller hasn't been making the mortgage payments but instead pocketing the money. Usually, the tenant buyer is paying above the actual mortgage amount, so when the home is foreclosed upon, they have not only lost their home, the ability to buy the home, but also the additional money paid every month.



**The tenant buyer slips up just once on the lease agreement and the seller claims the tenant buyer cannot buy the home and has to forfeit the down payment and rent payments.**

The tenant buyer makes one payment late or violates a clause on the lease agreement and the seller refuses to honor the purchase agreement on those grounds, thus leaving the tenant buyer with no way to buy the home and no way to get a refund on the down payment or rent credits for the period leased.





**The tenant buyer brings a down payment to the table with the understanding they will rent to own the home but the seller backs out and keeps the money.**

The seller, or the person facilitating the agreement between the buyer and the seller, takes the down payment from the seller but either backs out or does not complete the agreement to properly put the tenant buyer in the home. This leaves the potential buyer without a down payment to put on another property, at a minimum, but could have also been their life savings. In this case, the seller or the person facilitating the

agreement may be sued, and at the very least have their reputation destroyed.



**The seller does not actually own the property and the tenant buyer has been making payments on a fraudulent lease and agreement.**

In areas of high vacancies, such as Las Vegas, Nevada, scammers have been known to rent out homes that are in foreclosure and usually do a rent to own deal to get the additional down payment and avoid speculation from professionals. The tenant buyer is then unwittingly in a home the "seller" has no legal right to sell or occupy, so when the foreclosure goes through and the tenant

## Why wait?

If you have any questions or would like to get started please call or email us directly.

**lift** RENT  
TO OWN



buyers are served eviction papers, they have no ability to fight the eviction or get any money back.



**The tenant buyer falls on financial trouble again and can't buy the home or make the payments.**

If a tenant buyer has financial trouble, the chances are that they could fall on it again. This leaves the seller with a renter with no ability to cash out on their property and they are still on the hook for the mortgage. Then they usually have to evict the renter and put it back on the market for sale, lease or rent to own.



**The tenant buyer decides they don't like the home, neighborhood or schools and leaves the home without notifying the seller with sufficient time or leave it trashed.**

Sometimes people pick a house too quickly and aren't completely committed to a home, area or become displeased with the schools. They chose to vacate the house without properly notifying the owner, which may also result in the property being left in subpar conditions.

A photograph of a staircase with white railings. The wall behind the railings is covered in graffiti, including the words 'TOM'S WAY' and 'RAVE' in red and green paint.

**Rent to own  
doesn't have to  
be like this!**

We have a better solution. Contact us today to find out more.

**So how do you, whether you're a seller or a buyer, protect yourself in a Rent to Own agreement? Take these precautionary steps to make sure you do not become a casualty of a Rent to Own nightmare.**



**Set up an escrow account with an escrow company and ensure that the company is making the owner's mortgage payments and there is a record of every payment.**

This will also require the buyer to make payments to the escrow account, which avoids the whole "Check got lost in the mail" excuse. A third party handling the payments also allows the seller to be hands off the collection of lease payments and the buyer to not feel like they still have a landlord.



**Make sure that there is a safety net clause in the lease agreement.**

For instance, if a payment is late, the buyer has 30 days to make the payment or notify the seller they are forfeiting the purchase option. Also double check the lease for any frivolous excuses for release of contract if violated.



**Ensure that the agreements are all executed with witnesses and at the escrow company when money exchanges hands.**

When making a down payment, make sure it goes directly into an escrow account on record so that the buyer gets credit towards the purchase price. Also, understand that if you are using a facilitator, such as Loft Rent to Own, that the fees are agreed upon prior to payment. It is also helpful to make

sure there haven't been any claims filed against the seller or the facilitator.

**VERIFY**

**Verify that the seller is the owner on the deed of the property.**

This can be done online at any county's assessor office by looking up the property address and checking the owner's name against the seller.



**Use a third party to help credit check and verify the tenant buyer to ensure that they are not a repeat offender for things like collections.**

This one is a difficult one to avoid if you are doing a Rent to Own on your own. At Loft Rent to Own, we have a program set up for all of the tenant buyers to ensure they are on the right track and there are fail safes in place if in case they run into financial issues again.



**Properly vet a potential tenant buyer.**

This means having them bring a substantial enough down payment, making sure they understand if they leave they forfeit the down payment, and not rush people into making a decision. Giving buyers a few days to look over their finances with a professional, walk the property and look over all the documents (lease, purchase option, various disclosures etc.) to make sure they understand them.



And last but certainly not least, **ALWAYS use an attorney** if you have your own documents or **go through a reputable company that has Attorney approved documents.**

### How It Works:

- Start your application by contacting us today!
- Once approved, you select a home on the for-sale market or choose from a home in our inventory.
- We purchase the home and lease it to you.
- Move in, with the option (not obligation!) to purchase the home at a fixed- price when you are ready.

### Program Features:

- Rental rate and purchase price are fixed, so there are no surprises.
- Guaranteed option for up to a five-year lease, with only one-year lease commitment required.

- You have the right to purchase the home at any time during your lease.
- Security deposit is fully refundable.

### How do I qualify for RTP?

- Minimum annual household income of \$50,000.
- Credit score of 525 or higher, subject to review.
- No prior evictions or felonies.
- No active bankruptcies, foreclosures, short sales, or tax liens.
- Bank statement proving at least two month's rent is in your account at time of application.
- All members of the household who are 18 years of age or older and will live in the home must submit an application and be approved.
- Minimum option consideration funds available. This varies from property to property.
- Verification of full time employment.

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