

Basics of a Lease Option

- Buyer pays the seller option money for the right to later purchase the property. The lease option money may be substantial.
- Buyer and seller may agree to a purchase price now or the buyer may agree to pay market value at the time the option is exercised. It is negotiable. However, most buyers want to lock in the future purchase price upon inception of the lease option.
- During the term of the lease option, the buyer agrees to lease the property from the seller for a predetermined rental amount.
- The term of the lease option agreement is negotiable, but the common length is generally from one year to three years.
- The option money generally applies towards the down payment.
- A portion of the monthly rental payment typically doesn't apply towards downpayment.
- Option money is rarely refundable.
- Nobody else can buy the property during the lease option period.
- The buyer generally cannot assign the lease option without seller approval.
- If the buyer does not exercise the lease option and purchase the property at the end of the lease option, the option expires.
- The buyer is not obligated to buy the property.

Basics of a Lease Purchase

- Buyer pays the seller option money for the right to later purchase the property. This option money may be substantial.
- Buyer and seller agree on a purchase price, often at or a bit higher than market value.
- During the term of the option, the buyer agrees to lease the property from the seller for a predetermined rental amount.
- The term of the lease purchase agreement is negotiable, but the common length is generally from one year to three years, at which time the buyer applies for bank financing and pays the seller in full.
- The option money generally applies toward the down payment.
- A portion of the monthly lease payment typically applies toward the purchase price.
- Option money is nonrefundable.
- Nobody else can buy the property unless the buyer defaults.
- The buyer typically cannot assign the lease purchase agreement without seller approval.
- Buyers are often responsible for maintaining the property and paying all expenses associated with its upkeep, including taxes and insurance.
- The buyer is obligated to buy the property.

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