

# Lease Option

## Why a Lease Option is your **FIRST CHOICE** to Sell Your House **FAST!**

Today's housing market can be tough for sellers. Credit is tighter than a few years ago, buyers have more requirements to meet in order to get a loan, and as a result, your house may have been on the market a while. Lease Option, Lease Purchase, and Rent to Own are all terms used for the same type of transaction.

This report is addressed to two kinds of Sellers, those that have had their house listed in the MLS for a long time, say more than 4 months, and desperately need to sell for relocation, divorce, or other reasons. The other group would be those that don't have enough equity to list their property in the MLS and need to sell it as a For Sale By Owner (FSBO).

People who've never tried to sell a house themselves just don't understand all that's involved. The details, the time, the waiting, the no shows, the haggling, the expenses, etc. The purpose of this report is to provide you with a better and easier way, an alternative that eliminates the stress and frustration that is normally associated with selling a house.

Today's Buyers can be broken down into 2 groups,

1. Those that can get approved for a mortgage TODAY; and
2. Those that CAN NOT get approved for a mortgage TODAY

If you've had house listed in the MLS for some time, your house is only available to the first group. The second group is unable to purchase a house in the traditional manner because they can't get financing. So if you are willing to offer your house on a Lease Purchase, also called Lease Option, or Rent to Own, you are providing the financing needed by your Tenant/Buyer. Group number 2 is about 40% of the universe of homebuyers.

They aren't bad people, and often don't have bad credit. They may be self-employed, have a ding or two on their credit, but have the cash for a down payment and a good job that enables them to make monthly payments. By offering your house with a Lease/Purchase, you increase the number of prospective buyers for your house, and are able to demand a larger monthly rental payment and a higher asking price for your house over marketing your house just to group 1.

If you have the financial strength to make mortgage payments on a possibly vacant house over the many months of time it will take to sell your house to group 1, by all means do so. If not,

Lease/Option is the solution to your problem house situation and to get a tenant/buyer into your house paying YOU rent in 30-45 days..

**Why should I consider Lease Option?** There are many advantages for you to consider.

## **Lease Option Benefits**

1. You **put a lot more ca\$h** in your pocket when you sell on a lease purchase rather than a traditional real estate transaction.
2. You can get a high sales price for your property (no haggling).
3. Stops the bleeding of mortgage payments if property is vacant.
4. Someone is living on-site to watch your property (guard against vandalism, fire danger, etc.). That's like having a security guard living in your house that pays you - rather than you having to pay them! Also, you don't have to pay vacant house insurance rates that can be double or triple the standard rate.
5. It separates your "house for sale" from all the others and makes it easier to sell. You are providing the long term financing that your Buyer needs.
6. Large market of available Buyers at all times. Work with the 40-50% of want to be homeowners that can't get a mortgage in today's strict underwriting climate.
7. Better quality tenants because these are prospective homeowners, not tenants (They want to take good care of your property simply because at some time in the future, it's going to become their property).
8. All maintenance is delegated to the Tenant/Buyer. This eliminates 2:00 A.M. phone calls.
9. Seller's name remains on the deed - it's still your property until the option is exercised, and you accrue the amount paid to the principal every month until its sold. Each monthly mortgage payment is part interest and part principal. Your principal balance is being paid down each month.
10. Seller retains the tax shelter.
11. Seller continues to enjoy all the tax advantages. (Check with your tax advisor on this).
12. No lengthy vacancies (unprotected properties). Puts a new occupant (Tenant/Buyer) into the property in days or weeks, rather than having to wait 45-60-90 days or longer, which is typical with conventional financing.
13. Lease purchasing (rent to own) puts pre-qualified, reliable Tenant/Buyers in now vacant or soon to be vacant properties.
14. Saves the seller a lot of money (especially For-Sale-By-Owner) by not having to advertise the property until it finally sells.
15. No fees to pay (especially the 6% - 7% realtor commissions, closing costs, etc.) You can save 15% of the asking price of the house.
16. Safer than conventional rentals, because of the quality of the Tenant/Buyers.
17. Helps seller to qualify for new financing.
18. Doesn't matter what kind of mortgage the seller has. (Assumable, non-assumable, etc.)

We understand how to buy & sell homes using a lease and purchase program to provide win/win solutions for buyers and sellers. In fact, this is the way that we sell all of our own houses. We obviously intend to make a profit when we produce, however, **our profit comes from our Buyer, not from you.**

Now we would like to give you a few examples of how we might help.

In some cases, the new Buyer comes to closing with the ability to pay off your mortgage, and you receive your equity at that time. This would be the best-case scenario.

Most of the time it simply makes more sense to have our Buyer lease the house while waiting to close the sale. Perhaps our Buyer needs time to accumulate the down payment or pay off a car before they can qualify. Whatever the reason, leasing to a Buyer not only assures you that you won't have to bear the burden of monthly mortgage payments prior to closing, but it also makes it easier for the new Buyer to move forward on qualifying for a new mortgage to close out the transaction. And more importantly, your house isn't sitting vacant while your Buyer is getting approved for the mortgage.

The best part is your loan doesn't even have to be assumable for this to work! Regardless of the type of loan... assumable, non-assumable, assumable with qualifying, VA, FHA, Conventional, our lease and purchase program works for all transactions, because you never relinquish title until it actually sells and we go to closing.

**The Bottom Line** We take care of your monthly payments, take on all responsibility for the maintenance and upkeep of your property, find a qualified Buyer, get them to the closing table and liquidate your asset before it becomes a liability! Seriously, does it get any better than that?

## **FREQUENTLY ASKED QUESTIONS**

**What is lease option?** A lease option or lease purchase is essentially a rental agreement combined with a purchase contract with pre-negotiated terms. The Buyer leases the property for a specified period of time and then purchases the property before the expiration of the option agreement. Sales price, length of rental, rent credits, escrow instructions, closing costs, maintenance, etc. is all negotiated much the same as is done in a conventional Real Estate transaction. A lease purchase, if utilized properly, is a seller's or buyer's dream come true because it can eliminate many of the negatives normally attributed to the selling and buying of real estate.

**What if the tenant tears up my house?** There's no way we can guarantee you a tenant won't damage your house since you or we won't be living with them. Our objective is to find a Buyer who will eventually qualify for a loan, and not a "tenant". We are looking for someone with a homeowner's mindset, not a tenant's mindset. Damages are rarely a problem.

**When will you sell my house?** We can't give you an exact date. It will be up to the Tenant/Buyer to make that decision within the time frame they have. We also require them to get into a credit repair program, so obviously we'll be pushing them to do so... quickly! In the meantime, your payments will be made, which relieves you of the financial burden while we're selling.

**How do I know I can trust you?** We are part of a Real Estate Investment company that has been buying, selling, and leasing houses in Wake County North Carolina for more than 20 years. Our group and affiliates have bought, sold and leased literally hundreds of homes. We can provide testimonials from previous sellers that we have helped.

**How do I know you'll make my mortgage payments?** We can set up a third party escrow company to collect from us and pay the mortgage for us. You can also choose for us to pay your lender direct. If we don't pay, the lender would immediately notify you. You're always on top, whichever method you choose.

**Why don't I just list with a Realtor?** That's certainly an option, but obviously a Realtor won't make your payment for you while they're attempting to sell your house. You will have a tenant/buyer making your payment, and maintaining it, all the while. We'll give it our personal attention, and you can virtually forget about it until the closing agent sends you a check along with a closing package to sign for the sale to Tenant/Buyer we find.

**What's the difference between renting my house and renting to own my house?** There's a big difference! With lease purchase, we require the Tenant/Buyer to put up a larger binder deposit that is to be applied towards the purchase of the property only! If the Tenant/Buyer does not buy the property, that "deposit" is **non-refundable**! The deposit requirement is usually between 3% and 5% of the purchase price. So as you can see, it is substantial and far more than just a "deposit". The "deposit" also serves as an "insurance policy" against non-performance as well as damage to the property. And because of the amount of the deposit, it pretty much assures us that they are serious Buyers and not just renters.

**How can you or your program help me?** With our experience we know what homeowners go through when they try to sell their homes. You may be in the "thinking about it" stage. Maybe you've already tried listing your house with an agent, and it's been on the market for months without any offers. Our business is buying and selling houses. We have marketing systems in place to do that. Also, there have been recent law changes in North Carolina related to Lease Options and Contracts for Deed, and we know how to protect our transactions within the new laws.

**What if I owe more than the house is worth and/or my mortgage payments are too far above market lease payments?** This is happening more often than not these days. That is why we enter into a long-term lease-option purchase contract with you. Our hope is that the market will turn and allow you to pay off at least what you owe. As far as higher than market lease payments, "we'll lose you less". You may have to pay a small portion of your mortgage payment, but the Tenant/Buyer will be paying the majority of it. Every seller's situation is different. We will discuss your situation in detail.

**What if my house is already listed in the MLS?** While it can't hurt to list with a Real Estate agent or broker, in today's market, your house may have been sitting for 4-6 months, and you need out from under it. Do agents ever seem to have the same feel for your house as you do? After all, if you had a computer sitting in your office loaded with thousands of nice, beautiful houses of all shapes and sizes, and price ranges, what kind of real "selling" would you actually do?

Would you really go all out and work on selling one particular customer's house? Or, would you pick out a selection of several houses for your prospective Buyers, hoping to land them on one... any one of the many houses you'd selected?

Come on, you'd go with the numbers. After all, you don't have any personal liability if the seller's housesits an extra month or two... and besides, there's always the next customer, and the next listing.

This is why more and more folks have gone the "For-Sale-By-Owner" route. You buy your sign, you place your ad, and you show your home. You wait. You call back the lookers and leave messages on their answering machines. Maybe you actually get a live one and write up an agreement!

Several weeks pass. You start thinking something is wrong. Financing? But it's supposed to be the Buyer's job to get a loan, not yours. Right? That was true in the housing market several years ago, but not in today's market. Mortgage underwriting guidelines have gotten very stringent and take much more time to get approved. Someone needs to be driving that process. **With a Lease/Purchase transaction, your Buyer is already living in the house and paying your mortgage payment. Who cares if it takes another 90 days to close, your payments are being made.**

Can you tell we've been there? Right back on square one, with a beautiful home, priced right, and not a clue on how to make it go away and looking down the barrel of a deadline to move.

### **Describe how this transaction works**

As the Seller, you enter into a contract to Lease your house to us at a certain monthly payment for an agreed upon length of time. We think 9 years is the right place to start, but that is negotiable. Concurrently, we also sign a purchase contract to purchase your house for an agreed upon price. This would run in tandem with the Lease. Once we've agreed upon the terms of the Lease and the Purchase agreement, then we would start marketing your house to prospective Lease/Purchase tenants.

**We already have a Buyer's List of prospective Tenant/Buyers** because of our active marketing campaign to find Lease/Purchase Buyers. We may identify one that is already on our Buyer's List, or it may take a few weeks to find a new one. Once we've identified a prospective Tenant/Buyer with a down payment and able to make monthly payments, we check their credit and background to ensure they are legitimate Buyers and we sign a lease/purchase agreement with them.

Once we are ready to sign the documents, you need to decide whether you are going to manage the property, or you'd like us to. We charge a modest monthly fee for our management services, but we can help you with that if you are out of town and can't manage the property personally.

Should you decide to manage the property personally, we will assign the Lease and Purchase contracts that the Tenant/Buyer has signed back to you, and the Tenant/Buyer will pay rent to you directly. Or if we manage the property, they pay rent to us and we pay rent to you. In the interim, we will help the Buyer fix their credit so that they can get approved for a loan and close on the purchase. Once that happens, your loan gets paid off and a deed is conveyed to the new owners and everybody is happy.

**In Summary** We know this is a lot of information to digest at one time, but if you're still with us, chances are you're interested in doing what it takes to get your house sold quickly. We do not know of an easier way to sell your house, that can give you more money, and with none of the hassles normally involved in selling.

**Are you going to go another 3 months or more making mortgage payments on an unsold house?  
Let us help you stop the bleeding.**

P.S. We don't know how many months you've been trying to sell your house (or thinking about it) but every month you wait is costing you money. Your home is an asset... sell it as an asset. Don't let it become a liability, a burden. Don't procrastinate... Contact us, especially if you have questions.

If you have a house and NEED to sell and if you're ready to act now or if you have questions:

**Call my cell phone at **919-244-5859**, I answer my own phone!**

**or send us an email to [falcontrust@geonet.us](mailto:falcontrust@geonet.us)**

**Or**

**Complete our Seller Questionnaire at**

**<http://www.NCHomeBuyer.com/>**