

The following information and suggestions are provided WITHOUT WARRANTY. Any information links provided are not warranted. You are encouraged to seek legal advice BEFORE entering into a Rent to Own. The Rent to Own transaction is governed by North Carolina General Statute. No real estate broker can construct, draft or otherwise offer an Option form or any other contract requiring the drafting of provisions. This is a protection for both a Buyer and Seller. The Pro0perty Manager represents the interests of its Principle, the Landlord/Owner. If you have any questions, by all means, ask. You will be provided an answer. Read on...

What is: Rent to Own/Rent with Option/Lease with Contract to Purchase

All three describe (basically) the same type of real property transaction... You obtain possession, enjoy the Property –and- retain the Right to Purchase the Property under terms negotiated prior to the signing of the Lease Agreement.

Are you obligated to buy? No. Is the Owner obligated to sell to you? Yes, provided both the Lease terms are honored and the Purchase terms fulfilled. Normally, both are concurrent. Your Right to Purchase exists during the Lease terms (or as otherwise agreed in writing).

How can you lose your Right to Purchase? If you fail to honor the Lease terms, the Option would likely be “dead in the water” as your Lender would likely deny you any mortgage.

Can you just “walk away”? Certainly. No one is indentured. The only caveat is the Lease Agreement terms, which you are required to honor, i.e. – pay the rent through the agreed rental terms as well as any holdover, and not cause harm, waste or excessive wear to the Property.

Are you responsible for paying Property taxes, Property insurance and/or conducting repair and maintenance to the Property while still owned by the Landlord? No. All of these three (3) items remain the Landlord’s responsibility.

Is your Exclusive Right to Purchase and Contract protected? Yes. The North Carolina General Assembly passed law governing this type of transaction in 2010, i.e. – Contract Selling Price, Period of the Contract/Option, copy or Memorandum recordation in the County Registry, time period allowed for curing a Breach, etc. Click the following link to read the Statute. [NCGS §47G](#)

Suggested Steps for pursuing a “Rent to Own” Lease/Contract

1. **A Home Loan (Mortgage).** You should already know how close you are to qualifying for a mortgage. The Bank or Lender with whom you have consulted should have provided you with the one or two things you need to complete (or correct) in order for the Lender to process your Loan Application. It might be the need (for you) to raise your FICO (credit score)... This is usually the case. You should obtain a letter from the Lender stating what you need to do and approximately how long it should take for you to satisfy the Lender’s requirements to accept your written loan Application. This letter is very useful in a Landlord’s determination to accept your request for an Option to Purchase as an Addendum to the Lease.
2. **Find the Property.** Look at our [available list](#) of Property a Landlord would consider a Lease/Purchase. Remember, you are only bound to the Lease (Rental Agreement), not the Purchase. After all, that’s why it’s called an “Option”! IF you see a property on [THE LIST](#), but not additionally offered as a potential Option to Purchase, you can still ask it that might be available. No question is a bad question!
3. **Tell the VFMR Management Staff you would like to entertain renting to own.** You will then meet with the Property Manager (licensed Broker). The Property Manager will convey your offered purchase price as well as your Option terms. The Property manager does represent the Landlord’s interests, so he cannot suggest or advise you as to what you will offer nor what the Landlord will accept. That’s totally up to you! The Property Manager is required to tell the Landlord whatever you say, even if you don’t want something you say conveyed (to the Landlord).

Typical Steps to Securing a Lease With Option To Purchase:

1st Know what you need to do to buy a mortgage. If you have not met with a mortgage lender (at your Bank) or a Mortgage Broker, you should do so now. If you shop online, i.e. – Quicken Loans, you still need to

definitively know what you need to do and how long it will take to get to the point of a formal Loan Application. Many Banks are going to online services in processing Loan Applications... Ask questions.

2nd Find the Property which can be rented with an Option (to Buy).

3rd Negotiate the Selling Price [One part of the information needed for an Attorney to construct the Option].

4th Inspections. You need to do any inspections BEFORE consummating the Lease with Option, i.e. – Termite Inspection, Home Inspection, etc. Given you pay the Landlord an Option Fee (due consideration for your Right to Purchase), you likely do not want to run into any problems after the fact. The Lender will require a “clear” Termite Report (WDIR) to close the purchase. Other inspections are your option, but recommended.

IMPORTANT: The Tenant/Landlord Law does not require repairs or corrections as one might look for when purchasing. For instance, if during the lease terms the roof develops a leak, the Landlord is not required to replace an older roof, just stop the leak. The Lease will NOT afford significant changes or repairs not consistent with the rental terms. So, you must be sure to satisfy yourself BEFORE purchasing an Option. Any fee you pay the Landlord (Option Fee) is not refundable as you are *purchasing* the right to buy under mutually agreed terms. You are encouraged to read the link concerning [HOME INSPECTIONS](#) as provided by the North Carolina Real Estate Commission.

5th Option Fee –or No Option Fee. If the rental Property you wish to (eventually) buy has an existing mortgage note (the Landlord is making monthly payments), you would likely pay that note as your rent. If the rental Property is owned “in fee” by the Landlord (owes a bank nothing), your monthly rental payment will likely reflect rental market value. In either case, it would be unlikely your monthly contract rent would affect (reduce) the agreed sales price. BUT, you can always ask in the negotiations of the price. It is up to you to negotiate YOUR price and YOUR terms. The Property Manager represents the Landlord/Owner’s interests in obtaining the highest price the market will bear... Basically, that’s what a reasonably knowledgeable Buyer will pay –and- what the Seller will accept [negotiations]. If you pay an Option Fee as part of the deal, it is applied in whatever manner the Landlord and you agree, i.e. – reducing the agreed sales price. There is nothing set in stone outside of the protections and requirements for an Option to Purchase and the Tenant/Landlord laws.

6th Given you are satisfied with your Inspections, we will conduct the Leasing Meeting which will include the Lease with attached Offer To Purchase terms and Option Agreement. Your attorney (yes, you have to employ an Attorney to draft the Option) will Record a Memorandum of Option to Purchase in the County Registry. You will be paying the Security Deposit for the Lease terms, any Option Fee and your attorney fees for drafting and recording. This sounds like a lot, but there again, a Home purchase initiative is more than buying a car. You are situating yourself to own your own home!

7th Enjoy your new home! The whole purpose of the Lease with Option is to give YOU the right to ultimately own your new home. Of course, the real advantage... You get to “test drive” your new home as well as having the time to correct/fix minor issues delaying your ability to purchase a mortgage. Good Stuff!

The Property Manager and your Attorney will assist and guide you along the way. It sounds like a lot, but the goal is a good one for you, your family and the Landlord/ Seller.

Not to sound too presumptuous, but “***Congratulations in Advance!***”

Vernon Foster

Property Manager

Broker In Charge

North Carolina Real Estate Commission License No. 90254

