

FREE Special Report: Buying a House on a Lease Option

ATTENTION: Purchasers and your Solicitors and Conveyancers!

Fact Sheet on Purchasing a House with a Lease Option

ADVANTAGES OF A LEASE OPTION AGREEMENT:

- ✓ **NO bank or finance approval necessary.** The seller (landlord-seller) provides the terms to pay instalment deposit payments towards the buyer's (tenant-buyer) eventual outright purchase within the period of the Option Agreement.
- ✓ **Purchase price will not change.** The purchase price is fixed for the whole of the Option Term when the Option Agreement is signed and cannot be changed, regardless of any increase in the value of the property.
- ✓ **Short exchange.** You don't need to wait for bank or mortgage lender approval before moving in.
- ✓ **Try before you buy.** The Lease Option provides an ideal way to experience whether the house and location are right for you WITHOUT incurring the level of fees involved in purchasing in the traditional way AND giving you the freedom to change you mind if you wish.
- ✓ **Buy at your leisure.** The buyer may buy the house at any time during the term of the contract.
- ✓ **Sell or get a mortgage.** The tenant-buyer may sell on the property at any time during the term of the Option Agreement, subject to approval.
- ✓ **Establish a good credit rating.** The buyer has time to establish a savings history and credit worthiness, make extra savings towards a deposit, improve house value through (owner-approved) renovations or, in the case of migrants, complete the minimum residency required by many lenders.

WHAT STEPS WOULD BE NECESSARY IN ORDER TO MOVE INTO THE HOUSE?

1. You will need to complete an **application form** to take out a lease option on the property. An **application fee** is payable when the application is lodged. Instead of spending time and money on building surveys and local searches, recent copies of these documents will, if they are available, be supplied for you to present to your solicitor. We do not hide any information about the house.
2. We will ask you to provide us with a copy of your credit file report and all other references to support the information you've already given to us. It is important for us to establish your personal and financial circumstances today in anticipation of you being in the likely position to buy the house from us at a later date.
3. Consult a solicitor or conveyancer for an explanation of the **Option Agreement** and **Assured Shorthold Tenancy (AST) Agreement**, to ensure that it represents the agreement reached with the landlord-seller for the purchase of the house. The solicitor or conveyancer can explain the title and option fees payable.
4. Sign the AST and Option Agreement. The AST will be for a fixed period, for example 12 months. The buyer may request a renewal of the AST for a further extension for another fixed term during the Option term

5. Sign a Section 21a Notice of Possession as a precautionary measure should the tenant-buyer fail to observe the terms of the AST, thus circumventing the need for the landlord-seller to wait a further 2 months before seeking repossession.
6. Pay the initial option fee (usually a minimum of 3% of the purchase price).
7. Complete the standing order authority for the monthly payments, i.e. monthly rent and option fee, from your bank account into the account of the landlord/seller's managing agent.
8. Our lawyers will then exchange the respective signed AST and Option to make the contract formally/legally binding.
9. Move into the house on the date specified in the AST.

WHAT ARE THE PURCHASER'S OBLIGATIONS?

Pay the combined monthly rent and option fee on time. Payments are due according to the time interval stipulated on the AST and Option Agreement. Maintaining timely payments is essential, as the landlord-seller has instructed its managing agent to make the monthly mortgage payments to the lender. Also, in order for the tenant-buyer to earn a good credit character and be well positioned to qualify for a future mortgage, timely monthly payments are equally essential.

Keep the house in good condition and repair. The purchaser must keep the house and garden in a neat and tidy condition, which means removing rubbish, keeping the lawn mowed and not allowing the accumulation of debris on the premises.

The purchaser shall remain in control of the house. The purchaser cannot leave the house vacant in excess of 30 days.

No demolition or alteration will be made to the house. The purchaser must maintain the property in good condition, and reasonable requests to do decorative improvements will be considered by the landlord-seller.

INFORMATION ON THE INITIAL DEPOSIT

Minimum deposit required. We always require an initial option fee, usually a minimum of 3% of the purchase price. However, due to the demand and our ability to move you into your own home within weeks, not months, we often find people are willing to pay more, as the option fee all goes towards their purchase deposit.

Release of deposit funds to seller. In order to provide you with this unique opportunity, one condition is that all option fees are released to us when received from you or your solicitor. Please remember that, in return, you will have the benefit of living in your own home during this period.

INFORMATION ON THE OPTION FEES

All option fees go towards (help increase) the amount of your purchase deposit. In addition to the initial lump sum paid, the monthly option fees also add to the purchase deposit. Should you need to request an extended fixed period, then the lump sum option fee due at that time also goes towards your overall deposit by the time you are in a position to purchase. There is a renewal fee payable to cover the costs of having our lawyer renew the agreement.

Payments are agreed in advance. The financial commitment is known from the beginning with the lump sum option fees, monthly option fees, and rent all specified for the whole term of the Lease Option Agreement.

Purchase outright with a mortgage or even sell without buying. The purchaser has the right to purchase the property at any stage during the Lease Option Agreement by paying the balance that is outstanding at that time. This can be done by paying the balance in full, obtaining a mortgage, or even marketing the property for an outright sale to a 3rd party. There may be an administration fee payable upon purchase completion, at our discretion, to cover any overhead charges incurred for the sale of the property. The purchaser can choose at the time whether to pay the fee, or add the fee to the purchase price.

WHAT IF THE PURCHASER DEFAULTS?

What happens if the rent or instalment option fee are not paid on time? If the rent or instalment option fee is late, then the instalment option fee for that period is not credited to the eventual purchase of the house. Should these payments fall into arrears, after 21 days of the due date the Option Agreement will be in default. The tenancy, however, will continue to be in effect and can only be terminated as prescribed by the Housing (Landlord and Tenant) Acts. In order to later substantiate to a lender a regular payment history, which is essential to obtain a good mortgage, it is in the buyer's interests to maintain timely payments.

What happens on termination of the tenancy? The purchaser must vacate the house and leave it in a good and clean condition.

What happens to the option fees paid? The seller's intention from the outset is to sell the house, but all money paid towards the option fee is non-recoverable. This is the same as in a traditional sale following exchange of contracts, where the buyer may pay a deposit and fails to complete the purchase for whatever reason.

SUMMARY

In many respects the Lease Option legally constitutes a purchase in the traditional sense, except that it is over an extended time period during which you may live in the property as a tenant until you exercise your right to purchase anytime during the Option Agreement at the agreed purchase price. Otherwise, the terms and conditions in many ways mirror those of a traditional Contract of Sale.

The information sheet is intended to assist people in understanding the procedures involved in taking out a lease option for the purchase of a residential property. It includes a summary of some of the provisions of the Option Agreement but does not purport to give legal advice and is not intended to modify the provision of the Option Agreement. You are advised to obtain and rely on your own independent legal advice.

Please be advised that it is the Option Agreement and not the information sheet that governs the legal relationship between you and the seller of the property.