

## **How Does A Lease Purchase Work?**

*How does an investor win with a Lease Purchase?*

- Attract better tenants with an ownership mindset and attract more attention to a property when in the rental marketing phase.
- The landlord has no maintenance and repairs during the leasing period for stronger cashflow.
- There is a great return on the back-end if the tenant/buyer purchases the property.
- If the tenant is unable to buy the property or has to move then security deposits are NOT returned nor are the accrued portion and capital improvements to the property are NOT reimbursed.

*What is the Lease Purchase pathway?*

A client starts as a tenant.

After a few months they can choose the option of moving towards owning the home with the signing of the lease option and the purchase and sale agreement.

The tenant now becomes a tenant/buyer and puts down an additional 2 months of security deposit that will go towards their down-payment.

A purchase price and purchase date are also established at this time, usually a 3-5 year lease purchase term.

A small portion of the monthly rent also begins to accrue towards the tenant/buyer's down-payment, their rent schedule with increases is determined at the start of the lease purchase period.

The tenant/buyer becomes more of an owner of the property and within reason has the liberty to do capital improvements to the property.

The tenant/buyer also takes responsibility for the home and pays for all maintenance and repairs. The landlord only collects the rent.

When the purchase date comes due the tenant/buyer has enough money equity between their deposit and the monthly amount that's been accruing to buy the home on a FHA loan.

Any appreciation above the agreed upon sale price is the tenant/buyer's to keep. This is a win/win situation where the tenant is incentivized to keep up the property and invest into it themselves, but the landlord's returns are guaranteed.

*\*\*\*There are 3 documents that the tenant/landlord will sign in total. A traditional lease, a "lease option to purchase" document, and a Purchase and Sale Agreement with a Agreed upon sale price 3+ years in the future.\*\*\**