

# Highlights of the Residential Lease Option

1. An owner of property leases it to a credit worthy renter for a relatively short period of time. Three years is typical, but a longer or shorter period is possible.
2. The renter pays a monthly amount based on the fair rental value of the property PLUS an amount for buying the option to purchase the property ("option consideration").
3. If the renter performs as promised during the lease period the owner is obligated to sell the property according to the terms of the Lease Option.
4. Upon executing the Lease Option the owner and renter set a base, minimum price on the property.
5. They then agree that when the option to purchase is later exercised, an appraisal will be made at that time and the renter will be credited with 25% of the appreciation towards the purchase price of the property.
6. The renter is also credited with the option consideration toward the purchase price. The receipt of such consideration is not taxable as income to the seller until the renter exercises or abandons the option.
7. The owner will carry back their unpaid equity in the form of a promissory note secured by a junior trust deed on the property.
8. The consequence for the renter is that they are able to buy a home much sooner than most people ever can, and for very little down.
9. The consequence for the owner is that they are able to pre-determine, during the lease term how credit worthy the renter is before deeding the property over to them with a very small down payment.