

The American Dream is the cornerstone of the US founding principle of the right to “Life, Liberty and the pursuit of Happiness.” For many, this happiness includes charting your own path and owning your own home. Some approaches offer alternatives to traditional purchases, living in your own home sooner.

Lease Option Purchase

Move in now, buy later

A little-known opportunity to purchase a home is the lease option purchase agreement. This can simply be a more convenient way to be in a home for little cash down without qualifying for a loan at this time. It delays the cost of purchasing until you are ready.

This agreement gives you the right, but not the obligation, to purchase your home at an agreed upon price within an agreed upon date.

Purchasing a home can be very challenging as a first-time home purchaser. There are several programs available to lower cash down requirements for first time buyers and great interest rates in recent years, however qualifying requires a good credit rating and consistent income history. When you lease now and purchase at the later date you can still leverage these first-time buyer programs when you are able to qualify for them.

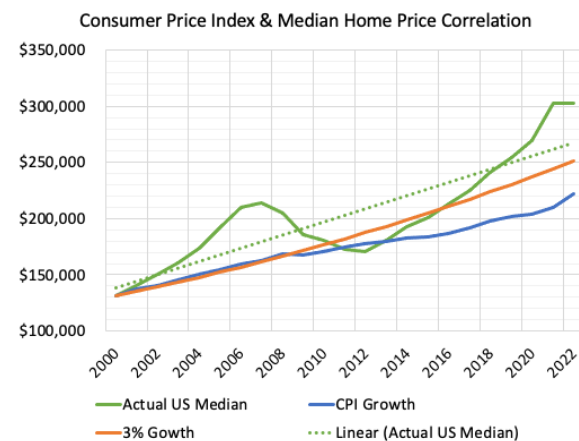
Other reasons you may consider a lease option purchase might be life partners who are not ready to co-own a property together or perhaps the need to rebuild credit from a setback, even bankruptcy, that will take time to repair. Experiencing a life setback can be challenging to regroup and get your life back on track. Sometimes higher priorities in life outweigh to ability to purchase a home now.

Fortunately, there is an alternative to renting and saving the cash to put down on a house that puts you in a home you can own and treat as your own **now**. Consider a lease option purchase agreement with terms that enables time to grow your credit rating, build cash reserves, create equity over time, and be ready to purchase your home.

Share Equity Appreciation

Equity growth during agreement period

Real estate sales markets are cyclical, climbing (seller’s market) and pulling back (buyer’s market), resulting in volatility (**green solid line**). Real estate appreciates over time with the average near a 3% inflation rate year over year. We set future prices based in a 3% annual median growth rate (**red**) which closely correlates to the median home sales price over a 20-year median average (**green dotted line**) and is a better indicator than the Consumer Price Index (CPI) trend (**blue**).



Sources: dqydj.com/historical-home-prices,
in2013ollars.com/Boston-Massachusetts/price-inflation

We purchase properties that are close to the median sales value to minimize the risk of a depreciating market eroding equity. This

SPECIAL REPORT: Why Lease Option Purchase Your Home?

enables us to set a sales price that anticipates the short-term market value. The advantage for the lease option purchase buyer in an appreciating market is that the real equity margin of appreciation the buyer gets to keep. In a depreciating market the buyer can opt to not purchase and perhaps re-start a new option agreement to retain residence and further defer the purchase to a later date when the property is appreciating.

The bottom line is that the seller absorbs the risk for the market volatility in exchange for leasing the property to the buyer during the option period.

Lease & Option Agreements

How this works

A lease option purchase is a two-part agreement to lease a home with an option to purchase 3-5 years in the future at an agreed upon price. The agreed price for purchase is based on the nominal growth in the market. Nominal growth refers to an average of 3% per year home sales inflation rate that average over time. Likely this works even more in your favor if the market valuation grows at a faster rate than 3% during the lease period.

The lease contract is similar for rental houses or apartments. The difference is that this lease includes an expectation for the applicant to care for the property including performing routine maintenance and fixing reasonably minor problems, as terms of the lease. Applying for the lease requires an application fee that covers a credit check (soft check with no effect to credit scores) and background check (rent history). We look at the situational circumstances of the applicant expecting that there may be extenuating

circumstances as the reason for exploring a lease option purchase and consider this in the application review.

The option contract declares the future purchase price, terms of purchase, expiration of the purchase agreement, consideration fee, and links compliance with the terms of the lease agreement. The lease agreement must remain in good standing for the purchase option agreement to remain in good standing. A consideration fee is a one-time non-refundable fee for the right to the purchase option agreement.

Build Purchase Position

Mortgage qualifying during agreement period

Qualifying for a bank mortgage requires...

1. acceptable income history
2. credit score margins
3. adequate down payment

During the lease option period you will demonstrate income and housing payment history, improve or maintain your good credit worthiness, and accumulate down payment. Real Equity Partners recommends resources and approaches to help you improve your ability to satisfy these requirements.

Summary

Is Lease Option Purchase for you?

If moving into your new home now and defer purchase to later seems to fit your situation and you want to know more then please visit www.realequitypartners.com to explore properties available and take the next step.