



Rent to Own Agreements by Jodi L. Wyman

Rent-to-Own contracts for property are often done very informally, although large amounts of money can be involved. Basically, a person who owns property would like to sell it. The purchaser however cannot buy it outright, and instead agrees to make regular monthly payments until they have paid for the property. There are numerous traps with these sorts of arrangements.

Even if you choose not to have a lawyer prepare a rent-to-own contract, it is extremely important that the agreement is in writing, and that all the different scenarios be considered.

Any sort of rent-to-own agreement should consider the following:

- Detail the payment amounts, when they will be paid, for how long, and whether the entire monthly payment will be put toward the cost of purchase, or whether some of the amount will be for rent.
- Decide who will pay the property taxes, the utilities, and repairs to the home.
- Decide who will pay for insurance for the home. Typically, the owner will pay for the building insurance, with the purchaser paying for the insurance on the contents.
- Specify who will pay for major structural repairs, such as in the event of flooding, septic system problems, a collapsed roof, or other significant problems. If the owner is responsible for these sorts of costs, will the purchaser have to pay if they were responsible for the damage?
- Decide whether the purchaser can make improvements while they live in the home and whether the owner can impose any rules on the purchaser, such as for pets or renting the home out to a third party.
- What if the purchaser defaults on his or her payments? At what point does he or she have to leave the home? If they do have to leave will the purchaser receive any of their money back? For example, half way through the contract does the purchaser have a one half interest in the house, or do they have absolutely no ownership interest until they have paid for it in full? Also, if the purchaser defaults and is forced to leave the home, will they be allowed to recoup their costs for any improvements they may have made to the home?
- The agreement should also consider what would happen in the event of a death or any other dramatic circumstances for either party. What if one side cannot fulfill the contract?
- Decide whether the purchaser will have the right to pay out the contract in full at any time. If so, will there be a reduction in the price, or an increase in the price?

There are many other clauses that should be in a contract such as this, and it is best to have a lawyer prepare the document. Once an agreement is drafted, it is also important that both parties get independent legal advice before signing the contract. This could prevent the agreement from being set aside by the Court.