

The Lease And Purchase Option

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Sample of Content:

The lease and purchase option eliminates most of the headaches associated with being a landlord. Your ultimate goal is to find good tenants to rent your property, and eventually buy it.

Content:

If you have an investment property, should you rent it or sell it? The answer to that question is that you should do both. If you have lots of time on your hands and are handy with tools, you can choose to rent out your property. However, if you have several properties for rent, maintaining them can consume lots of your time. You can choose to hire someone else to maintain your properties, but it cost you money. And higher expenses mean lower profits. In addition to investing your time, finding good tenants for your

properties is not easy. Tenants that choose to rent usually do it for a reason. They are usually having credit problems. In addition, most tenants do not take good care of your properties like they would their own homes. And when things go sour, they can mess up your house before they move out. Your goal is to find good tenants to rent your property, transfer the maintenance responsibility to them, and create incentives for them to eventually buy your property. Including the option to purchase to the least contract can eliminate most of the headaches associated with maintenance and dealing with bad tenants. There are several other benefits to the lease and purchase option.

Because the rent is usually higher when you include an option to purchase, this can eliminate most tenants only wanting to rent. People looking for the lease and purchase option are those usually in the process of rebuilding their credit, or are saving money for their down payment. To be fair, the duration of the contract should be between 2 to 3 years, long enough for your tenants to rebuild their credit.

This contract also transfers the maintenance responsibility to your tenants. Not having to worry about maintaining the property frees up your time for you to continue to expand your business. Giving your tenants the option to purchase your property create an incentive for them to take better care of your property. You may also choose to apply some of their rents toward the down payment if they decide to buy your property. This is another incentive for them to pay the rent on time, and eventually buy your property at the locked in price.

During the contract, you cannot sell the house to anyone else other than your tenants. However, you charge your tenants a fee (usually 1 to 2 percent of the purchase price) for the option to lock in the price of your property. If your tenants do not purchase the property before the purchase option contract expires, you get to keep the option fee. However, if your tenants utilize the option to purchase anytime during the contract, you must return to option fee to your tenants. Either way, you are making money whether your tenants buy the home or not. If your tenants decide not to purchase your property and the contract expires, you can begin the entire process all over again.

The important points about the lease and purchase option are that you are looking for good tenants to rent your property, create a constant cash flow from the rent, transferring the maintenance responsibility to your tenants, which frees up lots of your time, and eventually sale the property. Your ultimate goal is to sell the property to good tenants at a price that is fair. The deal should be fair enough that both parties come out feeling like winners. This is important if you want to be in this business for a long time.

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