



**How does
'RENT TO BUY'
work for me**

THE SELLER



What is the benefit to YOU as the property owner?

The main benefit is that you get your full asking price . You will not be asked to discount from a fair market value. You will also not have to pay agent fees. The majority of your payment for the house will be at settlement.

The option fees which are payable as part of the 'Options contract' will release a partial equity to you over the Option period. This is known as the 'credit back ' to the buyer. It is the agreed portion above rent and is known as the 'option fees '.

The buyer may ask for your permission to make improvements of a cosmetic nature. This may be a great way for them to earn some 'credit' towards the property price, it is usually agreed upfront what value those improvements will be. A condition in the Options contract should be added to reflect this.

In the event the tenant/buyer defaults or allows the option to expire, you will retain the non refundable portion of deposit , the 'credit back' option fees, plus any improvements to the property. The property is also once again yours to sell or you can begin the process again with another buyer from our pre-approved register of buyers.

Most important to you is that **this is low risk** as you never lose your ownership on the property until the Option is exercised on settlement. In fact, it is more likely that you will get an improved property returned to you.



The Basics...

What you need to know

- A standard residential lease (Residential Tenancy Agreement) is used to give possession to the Purchaser
- The purchaser pays rent under the lease
- The purchaser signs an option to purchase the house in 2 or 3 years(eg), at a fixed price up front
- The purchaser pays for the option, by paying an up front (deposit) and ongoing option fees(credit back)
- The purchaser's payments(option fees) are credited (as debited) against the price payable under the Contract
- The purchaser may earn credits using 'sweat equity', by carrying out work on the property



Major Benefits above Renting

As the Owner/Seller you are still the landlord, the difference is that you are now offering the renter/buyer a form of Vendor Finance by means of 'Rent to Buy'.

This offers the buyer the opportunity to build up a deposit and a good track record of payments to any potential lending partner. The arrangements will usually be sufficient for them to qualify for bank finance within 2 or 3 years.

As a seller you have the responsibilities of a landlord with the added benefit that each payment of rent made includes an extra amount (option fees), which will cover the shortfall between standard rent and cost of mortgage loan repayments, rates, repairs and insurance.

Also, in favour of the owner, the tenant / buyers will look after the property much better than if they are just tenants because they have committed a non-refundable deposit and ongoing payments towards buying the property.

The buyers will more than likely be motivated to do their own repairs and maintenance, which under current law is still the landlord's responsibility.

If the buyer defaults, beyond what is a reasonable time, the seller can use the Residential Tenancy Laws to terminate the 'Rent to Buy' arrangement.

All of the above should be viewed with advice from your solicitor.



Summary of Major Benefits to the Seller

- ✓ Sales Price is at your price – not discounted
- ✓ You get 'Above Market 'Rent
- ✓ Create Positive Geared Property
- ✓ Non-Refundable Option Fee
- ✓ Targeted Marketing to real buyers
- ✓ No Agents or Agent fees
- ✓ Attraction of the Highest Quality Tenants
- ✓ Less Maintenance
- ✓ Continued tax benefits

