

# Start Your Path to Homeownership—The Simple Way

## **Start Your Path to Homeownership—The Simple Way**

### **A Beginner-Friendly Checklist for Getting Started With a Lease With Option to Purchase**

#### **INTRODUCTION**

If you're renting today but dreaming of owning a home, the Lease With Option to Purchase (often called a "Lease Option") is one of the simplest and most flexible paths to get there.

This guide gives you a clear, step-by-step checklist so you understand what to do, what to check, and how to move forward with confidence — even if you're brand new to the process.

Use it as a roadmap to stay informed and avoid common pitfalls.

#### **SECTION 1 — Understand the Lease-Option Basics**

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## 1. Know What a Lease Option Really Is

- A Lease Option combines **a rental agreement** with **the exclusive right to buy the home later** at a pre-agreed price.
- You are *not required* to buy – the choice is yours.

### Example:

You rent the home for 24 months and have the right to buy it at \$250,000 anytime during the rental period.

## 2. Understand the Two Agreements

- **Lease Agreement:** Covers rent, term, and landlord responsibilities.
- **Option Agreement:** Covers purchase price, option fee, rent credits, and deadlines.

Both must be clear and written.

## 3. Learn Key Terms

- **Option Fee:** Upfront payment that secures your right to buy (typically 2–5%).
- **Purchase Price:** The price you lock in today for future purchase.
- **Rent Credits:** Portion of rent that may be credited toward purchase.
- **Option Period:** How long you have before the option expires.

## SECTION 2 — Prepare Your Personal & Financial Readiness

### 4. Review Your Credit

- Know your credit score so you can plan for mortgage approval.
- Identify what needs improving (late payments high balances, etc.).

**Example:**

Your score is 580 → target 620–640 by the end of the lease.

**5. Confirm Your Budget**

- Make sure you can comfortably handle the rent **and** still save for closing costs.
- Avoid lease-option deals with overpriced rent or fees.

**6. Save for the Option Fee**

- Set aside 2–5% of the future purchase price.
- This fee is often **non-refundable**, but it is usually applied to the purchase price.

**Example:**

\$250,000 purchase price → \$5,000 to \$12,500 option fee.

**SECTION 3 — Evaluate the Property Before You Sign****7. Inspect the Home**

- Schedule a basic inspection to uncover hidden issues.
- Look for: roof leaks, water damage, wiring issues, old HVAC, foundation cracks.

Don't skip this step — it's your protection.

**8. Check Market Values**

- Compare the agreed-upon purchase price to similar homes in the area.
- Make sure the future price makes sense.

**9. Clarify Maintenance Responsibilities**

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Every deal is different. Ask:

- Who makes repairs during the lease?
- Who handles major issues (roof, furnace, plumbing)?
- What happens if repairs exceed a certain cost?

Get this **in writing**.

## **SECTION 4 – Review Contract Terms Carefully**

### **10. Verify the Purchase Price**

- Confirm the price is set now and won't change later.
- Avoid contracts that say "price to be determined later."

### **11. Understand Rent Credits**

- Not all deals offer rent credits – and that's okay.
- Know the exact amount and how they apply at purchase.

#### **Example:**

\$200 rent credit × 24 months = \$4,800 applied toward purchase (if paid on time).

### **12. Review the Option Timeline**

- Typical option periods: 12, 24, or 36 months.
- Make sure you have enough time to prepare for a mortgage.

### **13. Know What Happens If You Don't Buy**

Ask:

- Do you lose your option fee?
- Are rent credits forfeited?
- Is there a penalty?

Knowing this helps you plan realistically.

## **SECTION 5 — Get Professional Support**

### **14. Hire a Real Estate Attorney**

- Have a legal professional review your agreements.
- This is a small investment for major protection.

### **15. Speak With a Lender Early**

- A lender can help you understand what you need for mortgage approval.
- They can help create a plan for boosting your credit and income readiness.

## **SECTION 6 — Final Steps Before You Move In**

### **16. Sign Both Agreements**

Make sure you have:

- The Lease Agreement
- The Option to Purchase Agreement
- All attachments, disclosures, and addendums

### **17. Collect & Save All Documents**

Keep copies of:

- Signed contracts
- Email communication
- Inspection reports
- Repair receipts
- Proof of option fee payment

These protect you legally and help with your future mortgage.

## **BONUS: Three Tips to Avoid Beginner Mistakes**

### **Tip #1 — Never Skip the Inspection**

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Small problems today can become big, expensive problems later.

### **Tip #2 – Don't Agree to an Unrealistic Future Price**

If the price is too high, you may not qualify for financing – meaning you could lose your option fee.

### **Tip #3 – Ask Questions Until You Understand Everything**

If a term confuses you, get clarification.

Lease options are powerful, but they must be clear.

### **QUICK-CHECK SUMMARY**

- I understand all lease-option basics
- I reviewed my credit and budget
- I saved for the option fee
- I inspected the property
- I confirmed the purchase price
- I clarified rent credits
- I understand the responsibilities during the lease
- I had an attorney review the agreements
- I kept copies of all documents

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