

Q&A



Robert Eisenstein

President, Home Run Homes

The rent-to-own option could prove to be valuable as lending guidelines make it more difficult for Canadians to obtain mortgages. Kit Kadlec recently spoke with Robert Eisenstein of Home Run Homes, a U.S. company that helps homeowners find rent-to-own buyers, to find out more

What type of potential homebuyers will suit rent to own? What are the advantages?

The rent-to-own process is defined primarily as when a buyer and a seller agree to a lease on a property. Included with this agreement is also an option to purchase the property within a given period of time. Additionally, the rent amount, term and the purchase price are all negotiated in advance.

Ideally, a rent-to-own agreement is most appealing to a potential buyer or seller with poor credit, or without any credit record. To be even more granular regarding this type of person, it would be someone who will have better credit within 12-24 months, when any credit blemishes are gone or when they have built a solid foundation of on-time payments. The benefit to the potential buyers is that it gets them into a home and permits them to try the home before they buy.

The agreement is also beneficial to a homeowner who has been stuck with a property and is now open to more creative ideas such as a rent-to-own agreement. The homeowner could also be one with multiple properties

(commonly referred to as an investor), and this arrangement permits him to move some of the properties quicker than he normally would be able to. These are just some of the many advantages to the seller/homeowner.

Are there certain types of properties this type of program suits best?

A rent to own can be done with both residential properties (homes, condos, etc) and even with commercial properties (buildings, land, lots, stores, etc.). The only properties that could present an issue would be co-ops, as the co-op board usually needs to approve new buyers, and the co-op purchasing process is already a difficult one.

About what percentage of the overall U.S. real estate market does rent to own capture?

Since a majority of creative financing such as rent to own is done without bank financing, it is difficult to pinpoint the exact percentage, however, in our past eight years it has become increasingly popular and more widespread in the U.S.A., Canada, Philippines, the U.K., and Australia.

What are some things people new to rent to own are usually surprised by?

The main thing that always attracts people to rent to own is the “rent credit” concept. The rent credit is the amount of the rent that can be used for the down payment (the per cent of the rent that will be applied towards the ultimate purchase price or towards the “down payment”). This amount varies, and can range from no rent credit to 25 to 50 per cent.

One other thing that both buyers and sellers are surprised by is how receptive the other party is to the agreement. When buyers are looking to purchase a home via rent to own, they are surprised to see how many sellers are actually offering this type of agreement. The same holds true for sellers, when they see the multitude of buyers in the market.

How long does it usually take? How much more would it typically cost?

The standard rent-to-own contract can run anywhere from 12 to 24 months (these are the most common terms), with the option to “convert” into actually purchasing the home anywhere during the contracted terms.

On average, the monthly rent amount for a rent-to-own agreement is less than a regular rental, since the buyer is renting it with the option to buy the property.

From a legal perspective, how do potential buyers guarantee they'll get what they were promised?

In terms of negotiating the agreement, it is always the best advice to use an attorney in order to adhere to the rules (provincial and local laws), and to provide the language/terms needed in the agreement to make it legally binding

What are some things buyers should look out for when signing a Rent-to-Own agreement?

As always, we suggest using an attorney to adhere to provincial and local laws, however, anything that has been agreed upon with the seller, from rent, price, term, and any maintenance/repair clauses should all be in writing. ■