



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

*THE BUYER*



# How does ‘Rent to Buy’ work for ME as the Buyer”?

## Firstly - What is ‘Rent to Buy’?

*Rent to Buy* is essentially leasing a property while holding a legally recognised right called an ‘Option’ to buy it at a later date – for an agreed price and at a fixed point in time. (eg. in 2- 3 years)

This legal agreement between you and the owner gives you the right, but not the obligation, to purchase the property at the agreed set date in the future. Once in place, the property will no longer be for sale and you are the only one who can buy the property until the option expires.

As the buyer you can exercise your right or ‘Option’ to buy at anytime during the option period. The buyer should let the owner know that they intend to follow through and to buy before the Option expires.

With this in mind - you can register or lodge a ‘caveat’ on the property so that the owner, the owners estate and anyone else with an interest in the property, recognise your rights.



# What is a Caveat?

A Caveat acts as a warning. It is a form of statutory injunction provided for under the Real Property Act 1900. When a Caveat is lodged it effectively prevents the registration of any further dealings with the property. (except for some statutory exceptions and any specifically permitted dealings).

The law advises that you should consider lodging a Caveat if you have an interest in a property that you cannot protect by registration of a transfer or mortgage.

Further explanation of the purpose of a Caveat:

- A warning to a person searching the Register of an outstanding equity claimed by the Caveator against any land, lease, mortgage or charge
- A Caveat acts as a statutory injunction preventing the Registrar of Titles from registering any instrument either absolutely, or until after notice of the intended registration or dealing be given to the Caveator
- See: <http://www.findlaw.com.au/articles/4145/caveat---warning-qld.aspx>



# Sound too risky?

## What happens to the extra credits I have paid out if I don't buy?

Your risk can be minimised if you are prequalified and have the full intention, commitment and capacity to make mortgage size repayments, from day one.

So the only risk to you is if you decide not to go ahead with buying the property - the deposit (option fee) may be non-refundable. Also any credits from option fees and property improvements you have made, will be lost .

Should you find yourself in the position of not being able to complete the sale however, with a reputable support service like Prosperity Management, we have access to a list of suitable buyers who may be able to take your place as the buyer.

All refunds are important to negotiate up front with the owner and can be explained by a solicitor during the agreement phase.

The benefits to you outweigh the risks as you start to pay down your 'Rent to Buy' house price, from day one.

Note: There may be benefits in having a 'sub-let' or 'assignment' clause . You might like to negotiate this with the help of your solicitor.



# What is the benefit to the Property owner?



In a flat real estate market many property investors with investment homes that are negatively geared often have no choice but to sell at sometimes heavily discounted rates. With your 'Rent to Buy' Option in place the Seller gets to sell for their asking price in exchange for a long settlement period. 'Rent to Buy' definitely offers them a better price than they could possibly get at today's discounted market price.

The owner will get immediate cash flow in a small upfront deposit – as per agreement. This is usually around \*\$10,000. Additionally, the lease arrangement is designed to create a positive cash flow to the owner for the 'Rent to Buy' period. A buyer will be paying the property owner each month above market rent, which includes a 'cash back' credit component to the buyer. This is more than they would get for an average rent and gives them the positive cash flow they need to cover the costs of the property.

They will no longer have any tenant worries as a buyer will be treating their home with the respect and care they treat their own home. It is a great outcome for both parties.



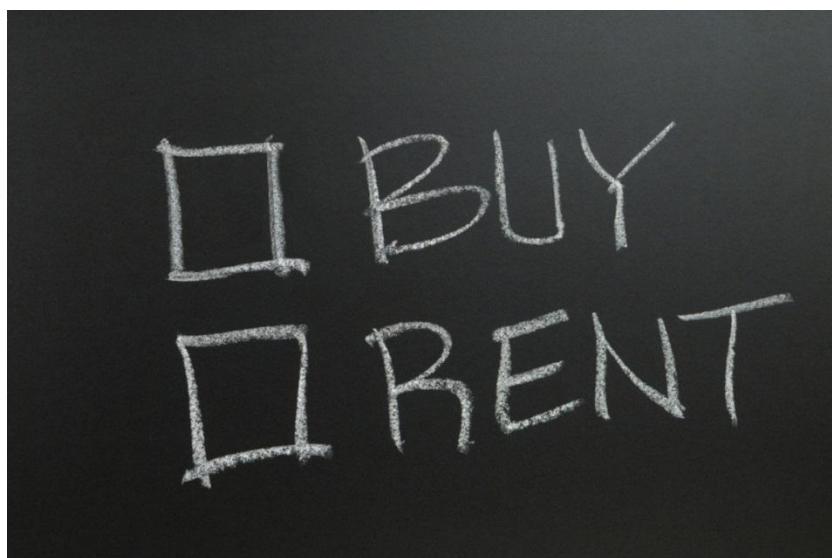
With the Owner's permission a buyer can start to make some cosmetic improvements to the property. Of course they would be crazy not to agree for you to make any improvements - as the title ensures that it will be the property owners gain in the unfortunate event that a buyer defaults or decides not to go ahead with the purchase. Remember that the title stays in the owners name to protect their equity in the property. This is the trade off for the favourable terms of a long settlement .

The great news is that if the owner is prepared to wait for a delayed settlement and you both agree on a fixed price, the credit back (option fees) and the up front Option payment (deposit) – then a solicitor will be able to secure both parties interests and a beneficial future.



# Summary:

- ✓ Leasing with an 'Option to Buy'
- ✓ Tenancy agreement in place
- ✓ Leaser/Renter pays mortgage size repayments
- ✓ Includes a cash back credit to leaser/renter
- ✓ Longer settlement period
- ✓ No obligation to buy
- ✓ Small deposit – may be non refundable
- ✓ Title stays with owner
- ✓ Caveat protects buyer
- ✓ Tenant can exercise option to buy anytime during the option period
- ✓ Improvements can be made prior to settlement with owner's permission
- ✓ Authorised improvements can be claimed as 'credit' back
- ✓ Legal contracts signed on agreement



# So Who Can Apply?

Anyone who relates to having

- \$10,000 or less deposit \*
- A bad credit report
- Ex-Bankrupt
- Self Employed
- Permanent, Full Time or Part Time Employees
- Any First Home buyers



# Summarising the major benefits to you as a 'Rent to Buy' owner

- Any accrued equity in the house price will benefit you at settlement
  - Our First Home Buyers 'Rent to Buy' program can be established with a low deposit – as little as \$10K or under \*
  - You get to start paying off YOUR house – straight away
  - An agreed 'cash back' program is put in place to create savings on your future loan
  - The program is backed with a legal agreement which secures your intention to buy the house at a later date
  - The house will be off the market and immediately puts YOU in your own home quicker.
  - Your deposit PLUS above rent payments will be included as a part payment or 'credit back' on settlement
  - With 'Rent to Buy' you are able to renovate the house from day one (with the owner's permission).
  - Self-employed individuals, new citizens to Australia, those who do not have a valid savings record and those with past credit issues are able to become Home Owners through our 'Rent to Buy' programs.
- conditions may apply for deposits under \$10,000

Are you Interested in Rent to Buy?

*Contact us TODAY! and find out how you can get into your own home AND start saving money!*

