

# LEASE WITH OPTION TO BUY

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This Lease with Option to Buy (this "**Agreement**"), sometimes called a rent-to-own or lease-option agreement, is entered into as of [EFFECTIVE DATE] (the "**Effective Date**") by and between:

[LANDLORD/SELLER LEGAL NAME(S)], of [LANDLORD ADDRESS] ("**Landlord**"); and

[TENANT/BUYER LEGAL NAME(S)], of [TENANT ADDRESS] ("**Tenant**").

Landlord and Tenant are each a "**Party**" and together the "**Parties**."

**Recitals.** Landlord owns the residential property described below and wishes to lease it to Tenant while granting Tenant an option to purchase it during the lease term. Tenant wishes to lease the property and to hold that option. This Agreement combines a residential lease (Sections 1 through 7) with an option to purchase (Sections 8 through 11). In consideration of the mutual promises below, the Parties agree as follows.

## 1. Property and Term

**1.1 The Property.** Landlord leases to Tenant the residential property located at [PROPERTY ADDRESS, CITY, COUNTY, STATE, ZIP] (the "**Property**"), together with the fixtures and any included appliances listed in [Schedule A].

**1.2 Lease term.** The lease begins on [LEASE START DATE] and ends on [LEASE END DATE] (the "**Lease Term**"), unless terminated earlier under this Agreement or applicable law.

**1.3 Use.** Tenant will use the Property only as a private residence for the occupants listed in [Schedule B] and will comply with applicable laws and any recorded restrictions.

## 2. Rent and Rent Credit

**2.1 Monthly rent.** Tenant will pay monthly rent of [\$ MONTHLY RENT], due in advance on the [DAY, e.g. 1st] of each month, to Landlord at the address in Section 12 or as Landlord directs in writing.

**2.2 Rent credit toward purchase.** Of each timely monthly rent payment, [\$ RENT CREDIT AMOUNT OR PERCENT] (the "**Rent Credit**") will be credited toward the Purchase Price if and only if Tenant exercises the Option and completes the purchase. Rent Credit accrues only for payments made in full and on time, unless applicable law requires otherwise.

**2.3 Late rent.** If rent is more than [NUMBER] days late, Tenant will pay a late charge of [\$ AMOUNT OR PERCENT] to the extent permitted by applicable law, and no Rent Credit accrues for that month.

## 3. Option Consideration and Security Deposit

3.1 **Option fee.** Tenant will pay Landlord a non-refundable option fee of **[\$ OPTION FEE]** on the Effective Date in consideration of the Option granted in Section 8. The option fee **[will / will not]** be credited toward the Purchase Price on exercise.

3.2 **Security deposit.** Tenant will pay a security deposit of **[\$ SECURITY DEPOSIT]** to secure Tenant's lease obligations. The handling, permissible deductions, interest (if any), and timing of return of the security deposit are governed by applicable local law, which the Parties will follow. The security deposit is separate from the option fee and the Rent Credit.

## 4. Maintenance and Utilities

4.1 **Tenant maintenance.** Because Tenant holds an option to buy, Tenant will, in addition to ordinary tenant duties, maintain the Property in good condition and **[be responsible for / share with Landlord]** routine repairs up to **[\$ AMOUNT]** per occurrence, as the Parties specify in **[Schedule C]**.

4.2 **Landlord responsibilities.** Landlord remains responsible for major structural and system repairs and for keeping the Property habitable as required by applicable law, except to the extent lawfully shifted to Tenant in this Agreement.

4.3 **Utilities.** Tenant is responsible for the utilities listed in **[Schedule D]**; Landlord is responsible for any others listed there.

## 5. Taxes and Insurance During the Lease

5.1 **Property taxes and insurance.** During the Lease Term, Landlord remains responsible for real property taxes and for insuring the structure, unless the Parties agree otherwise in **[Schedule C]**. Tenant is responsible for obtaining renter's insurance covering Tenant's personal property and liability.

## 6. Tenant Default Under the Lease

6.1 **Lease default.** Tenant is in default under the lease if Tenant fails to pay rent when due or breaches another material lease obligation and does not cure within the period required by applicable law after written notice.

6.2 **Effect on the Option.** If Tenant is in uncured default under the lease at the time of attempted exercise, Landlord may, to the extent permitted by applicable law, treat the Option as suspended until the default is cured. The Parties should confirm how local law treats forfeiture of option rights and accrued Rent Credit.

## 7. Quiet Enjoyment

7.1 **Quiet enjoyment.** So long as Tenant performs under this Agreement, Tenant may peaceably occupy and enjoy the Property without interference by Landlord, except for lawful entry on reasonable notice for inspection, repair, or showing.

## 8. Grant of Purchase Option

8.1 **Grant.** Landlord grants Tenant the exclusive option to purchase the Property (the "**Option**") during the Option Period defined in Section 8.2. During the Option Period, Landlord will not sell or grant another purchase right to any other person.

8.2 **Option period.** Tenant may exercise the Option at any time during the period beginning **[OPTION START DATE]** and ending at **[TIME]** on **[OPTION EXPIRATION DATE]** (the "**Option Period**"), which is **[concurrent with / a portion of]** the Lease Term. Time is of the essence as to the Option Period.

## 9. Exercise and Purchase Terms

9.1 **Method of exercise.** Tenant exercises the Option by delivering written notice of exercise to Landlord before the Option Period ends, in the manner required by Section 12.

9.2 **Purchase price.** If the Option is exercised, the purchase price for the Property is **[\$ PURCHASE PRICE]** (the "Purchase Price"), against which the accrued Rent Credit and, if applicable, the option fee will be credited.

9.3 **Closing.** Closing will occur within **[NUMBER, e.g. 60]** days after exercise, at the office of **[ESCROW AGENT / TITLE COMPANY]** or another agreed location, by delivery of a **[WARRANTY DEED / SPECIAL WARRANTY DEED]** and payment of the balance of the Purchase Price.

9.4 **Financing and contingencies.** Tenant is responsible for arranging financing. The purchase **[is / is not]** contingent on Tenant obtaining a loan by **[DATE]**. Title, prorations, and closing costs will be handled as in a customary purchase in **[COUNTY, STATE]**.

9.5 **Title.** Landlord will convey marketable title subject only to permitted exceptions of record that do not materially impair residential use.

## 10. Owner Covenants During the Option Period

10.1 **No new encumbrances.** Landlord will not create any new lien, easement, or encumbrance on the Property, beyond any existing mortgage kept current, during the Option Period without Tenant's written consent.

10.2 **Maintain ability to convey.** Landlord will keep any existing mortgage current and will preserve its ability to convey marketable title on exercise.

## 11. Expiration and Non-Exercise

11.1 **Expiration.** If Tenant does not exercise the Option before it expires, the Option terminates automatically, Landlord retains the option fee and any accrued Rent Credit (subject to applicable law), and the lease continues for the remainder of the Lease Term, if any.

11.2 **No obligation to buy.** Nothing in this Agreement obligates Tenant to purchase the Property. Tenant's only obligation is to perform the lease; the purchase is at Tenant's election.

## 12. General Provisions

12.1 **Governing law.** This Agreement is governed by the laws of the State of **[STATE]**, without regard to its conflict-of-laws rules, and by applicable local landlord-tenant, real property, and consumer-protection law, which varies significantly as to security deposits, notice, and forfeiture.

12.2 **Notices.** Notices, including notice of exercise, must be in writing and delivered to the addresses above (or as updated in writing) and are effective on receipt or as otherwise required by law.

12.3 **Time of the essence.** Time is of the essence as to rent due dates, the Option Period, and all other deadlines.

12.4 **Entire agreement; amendment.** This Agreement, with its schedules, is the entire agreement on its subject and supersedes prior discussions. It may be amended only by a writing signed by both Parties.

12.5 **Severability and waiver.** If any provision is unenforceable, the rest remains in effect. Acceptance of a late or partial payment is not a waiver of the right to require timely performance in the future.

12.6 **Counterparts and electronic signature.** This Agreement may be signed in counterparts and by electronic signature, each of which is an original and all of which together form one agreement.

**IN WITNESS WHEREOF**, the Parties have executed this Agreement as of the Effective Date.

**LANDLORD / SELLER**

**TENANT / BUYER**

Signature: \_\_\_\_\_

Signature: \_\_\_\_\_

Printed name: **[NAME]**

Printed name: **[NAME]**

Title (if applicable): **[TITLE / N/A]**

Title (if applicable): **[TITLE / N/A]**

Date: \_\_\_\_\_

Date: \_\_\_\_\_

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