

# Beware of Rent-to-Own Agreements

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## What is a Rent-to-Own Agreement?

Many people who sign rent-to-own agreements or land contracts end up evicted, not homeowners. Rent-to-own agreements and land contracts are promises to buy/sell property or a mobile home over time. However, sellers often try to evict buyers during the agreement. As a result, many buyers do not end up actually owning the home, even when they have made payments for years.

Rent-to-own agreements and land contracts are different from ordinary rental or home ownership. The characteristics of traditional rental and home ownership are:

**Tenant**

**Ownership**

- The landlord is responsible for repairs to keep the unit safe and habitable.
- The landlord is responsible for paying property taxes.
- Usually requires a refundable security deposit.
- Tenants generally cannot make changes to the unit without the landlord's permission.
- The landlord can evict very quickly (a few weeks) for violating the lease or not paying rent.
- The homeowner is responsible for any repairs and/or upkeep.
- The homeowner is responsible for property taxes/insurance.
- Usually requires a non-refundable down payment towards the purchase price.
- Free to make any legal changes or improvements to the property
- If mortgage payments are missed, the lender must foreclose on the property.

Rent-to-own agreements and land contracts often have some terms that look like a rental contract and others that look like a purchase contract. This arrangement can give both parties some flexibility in terms of their agreement. However, because sellers usually write the agreements, the choice of terms often strongly favors landlord-sellers.

### **Common Rent-to-Own Agreement Terms:**

- Buyer takes property "as is" and is responsible for repairs/upkeep.
- The buyer is responsible for property taxes.
- Down payment towards the purchase price.
- No improvements or changes without the seller's permission.
- If payments are missed or the contract is violated, the landlord-seller can evict and keep your money.

Some of these terms may be unlawful. A person buying a house generally cannot be evicted in the same manner as a tenant. A tenant who is renting a home is not responsible for making repairs. If a seller is trying to evict you, you should contact an attorney right away.

Many people who sign rent-to-own agreements end up evicted and lose all the money they invested in the home!

A rent-to-own or land contract may be a good choice if you want to buy a home right now but need a little time to save for a down payment or build up your credit rating. But at LawNY®, we have noticed that some landlords “sell” the same home repeatedly.

Buyers sign a rent-to-own agreement or land contract, move in, and fix up the home. After six months or so, the landlord-seller finds a reason to evict the buyer and keeps all of their money and their improvements. Then the seller gets someone new to sign a rent-to-own agreement.

You have special rights if you have a rent-to-own agreement with a manufactured home park.

[Please see our article on mobile home rent-to-own contracts for more information.](#)

## **What can you do?**

### **BEFORE YOU SIGN:**

Read the rent-to-own agreement and consider asking a lawyer to review it.

In reading the rent-to-own agreement, make sure that you understand:

- Who will be responsible for repairs, taxes, and insurance?
- How are your payments being used?
- For example, is your monthly payment entirely or only partially applied to the purchase price of the house?
- What does the agreement say about missing or late payments or other contract violations?
  - For example, will you be evicted? What does the contract say about the return of your down payment and any payments you’ve already made?

Make sure you agree with all terms in the contract. Every part of your agreement should be in writing. If you are considering signing a rent-to-own agreement or land contract and have questions about it, you can call your local LawNY® office.

Talk to a HUD-certified housing counselor about alternatives.

Many people sign rent-to-own agreements because they have bad credit, don't want to deal with banks, don't have a large down payment saved, or think that it is the only option to own a home. Many programs are available to help first-time homebuyers and low-income people transition from renting to homeownership without signing rent-to-own agreements or land contracts. A HUD-certified housing counselor can meet with you and talk to you about credit issues and homeownership programs that you may be eligible for. To contact a HUD-certified housing counselor near you, call (800) 569-4287. HUD-Certified housing counselors are permitted to charge "reasonable and customary" fees for their counseling services, but must provide counseling free of charge to anyone who demonstrates that they cannot afford the fees.

#### AFTER YOU SIGN:

If you are having issues with a rent-to-own contract, contact an attorney.

If you have issues with an agreement, or have received a notice from your seller or court papers regarding a rent-to-own, you can call your local legal aid office. You should not ignore notices or court papers, as the time deadlines for protecting your rights in such a situation may be very short.

#### **MAKE A COMPLAINT:**

Contact one of the agencies below to make a complaint.

If you have concerns about a rent-to-own agreement or land contract, you can make a complaint to the New York Attorney General's Office Consumer Frauds Bureau. For more information, see <https://ag.ny.gov/file-complaint/consumer>. You can contact the regional offices at:

Rochester Regional Office  
144 Exchange Boulevard, Suite 200  
Rochester, NY 14614-2176  
(585) 546-7430

Binghamton Regional Office  
44 Hawley Street

Binghamton, NY 13901

Main Line: (607) 251-2770

Consumer Frauds: (607-251-2764

If you have concerns about a rent-to-own agreement in a mobile home park, you can also make a complaint to the New York State Homes and Community Renewal office by calling their Manufactured Homes Hotline at 1-800-432-4210.

Housing counseling resources for New Yorkers include:

New York's Homeowner Protection Program (HOPP) connects with housing counselors and legal services at no cost. Call the HOPP hotline at (855) 466-3456 or visit [homeownerhelpny.com](http://homeownerhelpny.com).

24-Hour assistance is available toll-free on the HOPE NOW hotline at 888-995-HOPE (888-995-4673). HOPE NOW is an alliance of HUD-approved counseling agents, servicers, and investors that provide free assistance.

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This article provides general information about this subject. Laws affecting this subject may have changed since this article was written. For specific legal advice about a problem you are having, get the advice of a lawyer. Receiving this information does not make you a client of our office.

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