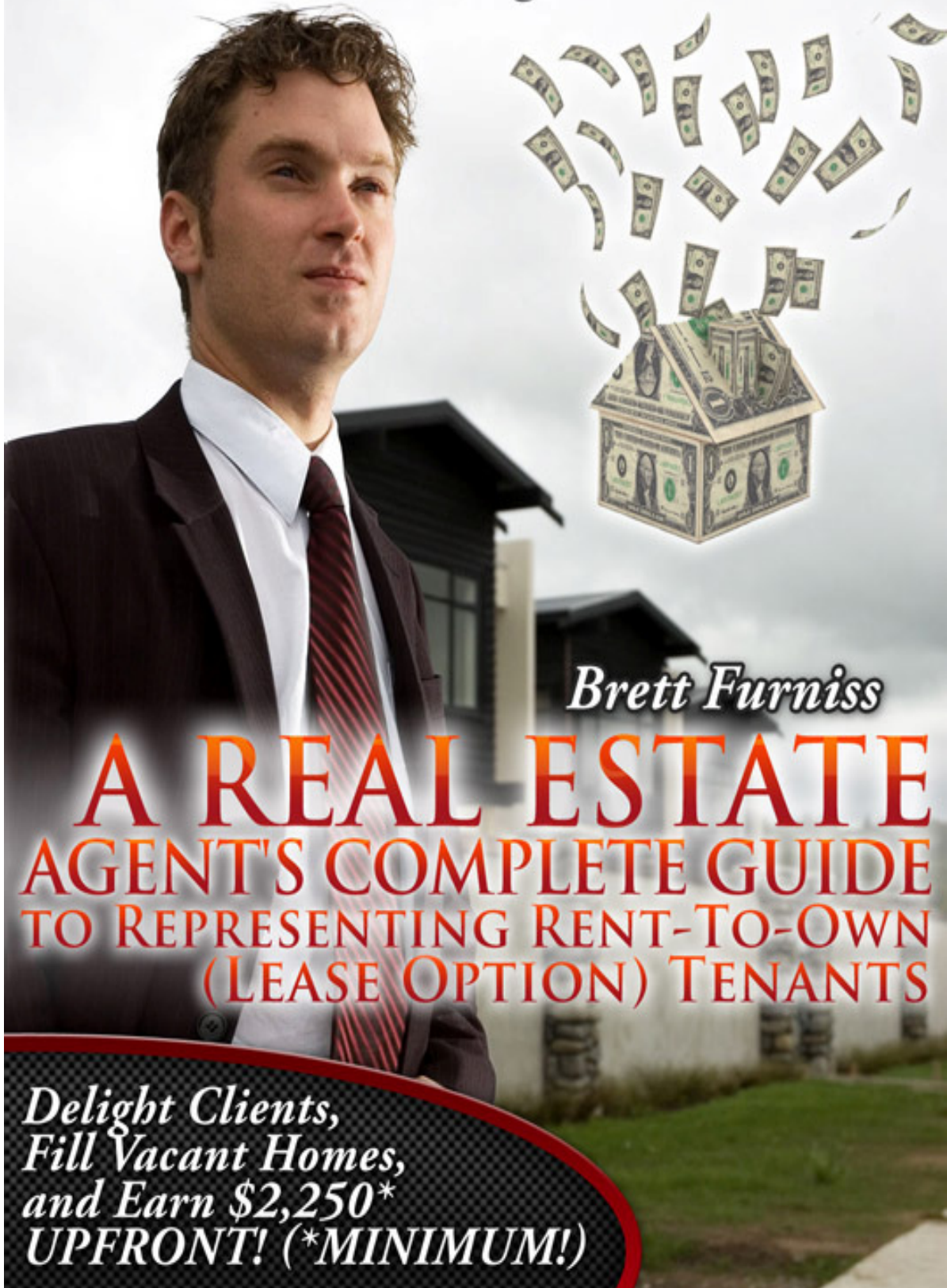


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Brett Furniss

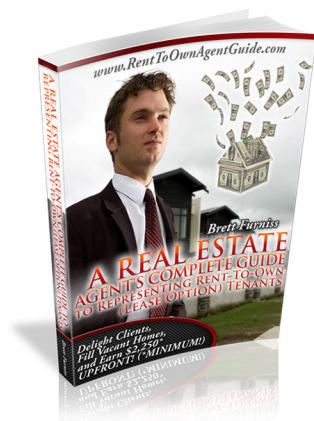
A REAL ESTATE AGENT'S COMPLETE GUIDE TO REPRESENTING RENT-TO-OWN (LEASE OPTION) TENANTS

*Delight Clients,
Fill Vacant Homes,
and Earn \$2,250*
UPFRONT! (*MINIMUM!)*

A Real Estate Agent's Complete Guide to Representing Rent-To-Own (Lease Option) Tenants

Delight Clients, Fill Vacant Homes, & Earn \$2,250 Upfront!*

**At Minimum!*



With a 30-Day Money-Back Guarantee!!

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Preface: “Behind the Music” (The History of this Guide)

My companies, BDF Realty, Inc. (www.BDFRealty.com) and Rent-To-Sell Realty, Inc. (www.RentToSell.com), have been marketing lease options (rent-to-own and rent-to-sell) for years to help our clients meet their real estate and financial goals.

In August of 2009, I was asked by *Realtor Magazine* to participate in their “[Putting Together Lease-To-Own Deals That Pay](http://www.BDFRealty.com/FurnissRentToSellWebinar.wmv)” (www.BDFRealty.com/FurnissRentToSellWebinar.wmv) webinar. During the webinar, the host asked the presenters what percentage of their company’s revenues came from lease options. The other presenter quickly answered, “100%.” I thought about it and said “15-20%”; afterwards, I felt like a fraud. Why was I asked to participate as a “lease option expert” when 80-85% of my company’s revenues derived from elsewhere?

At the time, I took this to mean the revenue directly attributed to transacting deals for rent-to-own tenant-buyers (who wanted, or had to, rent before buying) and rent-to-sell home owners (who wanted rent-to-own tenants to rent, then buy, their homes). As I thought about it over the next several months, I realized I had nothing to feel guilty about. This is perhaps better understood by looking at my real estate business history:

My Timeline:

- 2003-2004 I was an investor who bought and lease optioned out my own properties through BDF Realty
- 2005-8/07 BDF Realty became a rent-to-own company that marketed to lease option tenants. However, 95% of our revenue came from buyer agency commission. The lease option candidates, who thought they would have to rent before buying, qualified to buy immediately!
- 8/07–12/08 Rent-To-Own home buying waned with the complete uncertainty in the credit markets. Rent-To-Sell became a catalyst to build up our property management business from which we derived most of our revenue.
- 1/09–Present Property management continues to provide a large part of our revenue. The rent-to-sell program continues to differentiate our property management services, while providing sales listings as well. Rent-To-

Own buyer agency (the main focus of this Guide) is now the fastest growing part of our business.

So, the moral is, rent-to-own and rent-to-sell are marketing differentiators for us, but we derive most of our revenue from the traditional sources (buyer agency commission, property management, and listing sales commission).

Bottom line, I believe lease options (rent-to-own and rent-to-sell) are a great way to supplement real estate income while being a **tremendous lead source for traditional brokerage**.

The purpose of this Guide is to show you how to:

- Work with (and make money from) potential buyers who can't purchase right away due to credit issues or because they still own a home in another state (rent-to-own)
- Give sellers who list their VACANT property with you another avenue to get them (and you) paid (rent-to-sell)
- Understand how to lessen any risks that a lease option agreement can present
- Get paid \$2,250 (minimum!) upfront and 3% when the home sells via lease option
- Bottom line, add a tool to your belt to help YOU profit from seemingly undesirable prospects

The market is not fluid right now. The answer to this dilemma is education for the people who buyers and sellers lean on to lead them out of this housing mess- you, their trusted real estate professional!

I also offer a **30-Day Money Back Guarantee**. If you make an earnest effort to use this guide and find that it is not a viable method to increase your revenue by a minimum of \$50.00, please return the Guide within 30 days for a FULL REFUND. The ideas contained in this Guide have worked well for us and have been effective for our clients. I trust they will be effective for you as well!



Charlotte Property Management Weekly: Getting Paid- A Growing Problem for Everyone! (Except Realtors & Clients Doing Lease Options)

“I have a lot of home listings for sale. The only problem is I don’t get paid unless they sell!” (Frustrated and Broke Charlotte Realtor)

“FHA bailout? New real estate fees, loan rules to avert one” (USA Today headline, 1/20/10)

“The point of a business is to make money doing what the customer wants, ethically.” (Marketing Professor Steve Nelson at Grand Canyon University)

The biggest symptom of our current economic problems is that people don’t have the money to pay their bills. Think about it. Why is the FHA in trouble? It’s because the home owners they lent to couldn’t pay. Why did the banks need to get bailed out? It’s because the clients they lent to couldn’t pay. Why are many businesses going under? It’s because their customers are businesses that are going under (because they didn’t get paid).

In property management, there is domino effect of people not getting paid. If the tenants lose their jobs and don’t get paid by their employers, they can’t pay the rent. If the rent isn’t getting paid, then the owner of the home isn’t getting paid (and neither is the property manager). If the owner isn’t getting paid, then the bank where the mortgage is held isn’t getting paid. Then the bank goes under.

Okay, this isn’t much of a revelation. Noah wasn’t famous because he saw it was raining out; he was famous because he built an ark in time that saved his family (and the majority of the world’s animal kingdom). Point taken. So how can we make sure that we and our clients get paid?

For Realtors that have vacant listings for sale, you can open them up to accept lease option (aka rent-to-own and lease purchase) tenants. With the number of homes for sale and the dwindling pool of buyers (see USA Today FHA headline above), most listings are sitting vacant for extended periods of time. By getting a paying tenant in the property, you can get your clients paid. They, in turn, can pay the banks. This is good!

This is not paramount to some agents, which is confusing to me. Just last week, we were working with a Realtor who had his client's vacant house open "for sale" and "for rental". When we entered an offer on behalf of our prequalified rent-to-own tenant, the agent said his client would accept a sale or a straight rental, but not a rent-to-own. Our client wanted to be a homeowner; starting the process of building up a down payment and closing costs while building a life in their future home was important. When asked what the owner's back-up plan was, the agent said the owner would give the home to a property manager if our client wouldn't just rent it out.

Let's take a look at this back-up plan. We are property managers so there is no disrespect here. However, let's look at the costs. Property managers charge fees for placing tenants and there is a lot of rental homes on the market; look at the biggest property manager in your town and see how many homes are available for rent! This is not the property manager's fault; it is merely a function of the market as houses are not selling and they are being put on the rental market. So, undoubtedly, there will be a few months of holding costs in addition to the property management fees.

In terms of getting paid, the agent is not getting any money for passing on his listing to the property manager and is costing his client even more money. Agents that make a habit of engineering "lose-lose" deals (clients are paying more and he is getting paid nothing) don't typically last very long in any business.

What could have happened? The lease option deal could have closed and everyone could have gotten paid.

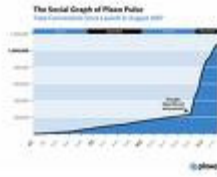
1. The client could have had a tenant making their mortgage payment every month.
2. The listing agent could have been paid by asking for half of the option fee as compensation. Option fees are typically 1%+ of the purchase price.
3. The buyer agent could have collected the other half of the option fee.

The best part of this scenario is that the rent-to-own tenant could have bought within 1 year. This would have allowed the agents to split the 6% selling commission then. The client would have been thrilled being that in addition to GETTING A TENANT FOR FREE WITH NO ADDITIONAL HOLDING COSTS, they would have had a tenant who might buy their home within a year. A true win-win-win could have been created.

There are many ways to get paid on lease option deals, but this is a good equation:

$\frac{1}{2}$ of option fee (provided by tenant) for both parties + 3% selling fee upon sale = Happy clients and agents

Help clients get paid and get paid too! Isn't this what businesses were created to do?



Charlotte Property Management Weekly: The Tipping Point is Coming- Are You Prepared for Lease Purchase?

“I understand that qualified buyers are becoming scarcer by the day. More and more houses I list are sitting vacant on the market while the owner eats the mortgage every month. Do I just tell them to wait for the market to come back or is there something I can do?” (Charlotte Realtor)

*“In sociology, a **tipping point** or angle of repose is the event of a previously rare phenomenon becoming rapidly and dramatically more common. The phrase was coined in its sociological use by Morton Grodzins, by analogy with the fact in physics that adding a small amount of weight to a balanced object can cause it to suddenly and completely topple.” (Wikipedia definition of “tipping point”)*

“The Times They Are A-Changin’” (Bob Dylan)

The tipping point is an interesting phenomenon. Malcolm Gladwell wrote a New York Times bestseller on the subject, bringing up a myriad of examples to illustrate it. In a business application, it basically says that a product’s life cycle (from conception to death) does not grow in a steady, predictable pattern; rather, it starts like a flat line of a few buyers that grows slowly to a certain point, then spikes suddenly upward (explosive growth!). This “certain point” is referred to as the tipping point. If you charted any successful product’s sales growth on a piece of paper, you wouldn’t draw a straight line going up, but rather a line that looks like a hockey stick. All companies want to enjoy the rapid sales (cha-ching!) that result on the blade of that stick.

I remember when I worked in telecommunications in the early 2000’s, almost every sales meeting touched on motivating us to sell a certain service. “It’s great”, “Clients just need to see the value in it”, “It’s all the rage in Europe”, and “Did I forget to mention how worthless you are?” were the usual exhortations we were subjected to. We just couldn’t sell it. “It’s garbage!”, “Why would clients waste their money on something they’re never going to use?”, “They can just pick up their phone if they want to communicate with someone!”, and “Let’s see you sell it!” were our explanations for our low sales numbers for this service. And what was the service we couldn’t sell? In hindsight, I can LOL. It’s probably something you use every day- text messaging.

It’s not like text messaging didn’t have business applications that we could reasonably sell our customers on using. Hospitals could send texts to their ambulance driver’s

cellular phones with addresses to go to without the fear of no or poor cellular coverage affecting the response time. If you needed to get an important message to your boss while he was in a meeting, the text would get it done simply and discreetly. During 9/11, the cell towers were overwhelmed and cellular calls were futile, but texts still got through (for the few customers who actually bought this service from us!).

However, as the text messaging user base continued to slowly trickle in and grow (as we begged and pleaded each of our clients to use the service), something happened. Everyone started to ask for text messaging to be added to their orders (Asking us? Is this a joke? Did our sales manager put you up to this?) This \$10 a month add-on service started to become real money as hundreds of thousands of users added it to their plans each month. This text messaging revenue lasted for years and still provides huge returns for my old company (and the wireless industry in general!). The tipping point was achieved and the profitability in that growth was beautiful for those who were able to take part in it.

So what does this have to do with lease purchases? The lease purchase tipping point is coming. People want to buy and the banks are not willing to play along. Banks are concerned with risk issues of their own (commercial real estate loan default, credit card default, upcoming bank regulation by Congress, keeping a huge cash buffer so they don't ever have to take money from the government again, etc.). Consumers want to buy homes, but banks will continue to raise credit score requirements, down payment requirements, and reject any loan that doesn't fit a tight cookie-cutter model so they can further eliminate their risk.

At that same time, more consumers than ever want to buy homes for the usual reasons (marriage, divorce, having kids, job changes, etc.). More vacant houses than ever will sit on the market unsold while eating away at the owner's dwindling finances. More Realtors than ever will leave the real estate business as sales transactions dry up further. Babylon the Great (the banks) has fallen and we will all wait for the scraps of a few loans they occasionally leave us. Or will we?

Across the country, some enterprising Realtors are putting lease purchase deals together and transacting real estate. Their buyers and sellers don't really understand how the whole "lease purchase" thing works, but they do. Every deal is a struggle of educating the other parties involved, showing the mutual benefits, ignoring naysayers who only believe in "clean" buy/sell sales, and negotiating commissions to reflect the value of what they bringing to the table. They are supplementing their income (and value!) now, but see the need for their services increasing *every day* during the next few years.

And at what point will these pioneers really be rewarded? At the tipping point, of course!



Introduction: Where We Are Now

Some real estate agents have said that this is the worst real estate market that they have seen in their lifetimes. Some real estate agents now have the word "ex-" before their titles. Many have fled the business, while countless others bemoan the hit to their incomes due to the current market. Listings are not selling, buyers are not getting qualified to buy, and it is tougher to make ends meet in what used to be a lucrative profession.

However, there is a silver lining. The American dream of home ownership isn't dead! I'll say it again: The American dream of home ownership isn't dead! If anything, people want it more. Just ask anyone who has a sign in their yard- they want to sell *desperately*. Or ask would-be home buyers who can't qualify- they want to own even more!

So the desire of both parties to make a deal is strong! Then what's the problem?



Charlotte Property Management Weekly: Interpreting Signs in New Testament Times & Today

“The real estate market is coming back!! Did you see the news last night? The Fed and Obama say the recession is over. They’ll be buyers for my house in no time!” (Charlotte Landlord)

“...When evening comes, you say, ‘It will be fair weather, for the sky is red,’ and in the morning, ‘Today it will be stormy, for the sky is red and overcast.’ You know how to interpret the appearance of the sky, but you cannot interpret the signs of the times.”
(Jesus Christ, recorded in Matthew 16:2-3)

In the Bible, one of the disciples’ FAQ’s to Jesus was how they would know that the end of the world was near and when He would be coming back to reign on Earth. Jesus did not back down from the question and gave them telltale signs of what to expect. *“You will hear of wars and rumors of wars, but see to it that you are not alarmed. Such things must happen, but the end is still to come. Nation will rise against nation, and kingdom against kingdom. There will be famines and earthquakes in various places. All these are the beginning of the birth pains.”* (Matthew 24:6-8)

Jesus himself gave direction on what signs to look for before His return, but what about the “signs” the financial experts say to look for that will signal the real estate market’s return? They are all over the map! Who has the right answer? Maybe we need to take a look at the “signs of the times” ourselves.

To start, I don’t give any credence to the scattered news stories from business owners that say “things seem to be picking up” and “Bob called me and said this was his busiest week selling horses since he can remember- Daggamit, he’s fixing to believe that even Bessie will have a new home this week!” The stories make us feel good, but are unreliable signs of an imminent market upswing. As my UNC-Chapel Hill professor, Bob Adler, said, “The plural of anecdote isn’t data. It’s anecdotes.”

The data that I rely on is rooted in common sense; it’s much like the Warren Buffett “invest in what you know” mantra mixed with Occam’s Razor’s “the simplest solution is usually the best one.” The real estate market is in awful shape due to banks not making loans to people so they can buy houses. When there are no buyers, there can’t be any sellers. When will this stalemate end? Well, let’s look at trends. The reality for banks for the next one to two years will be that they take on less risk; this means more

government regulation, higher down payment requirements, and higher credit score requirements (upward trend). The reality for aspiring home buyers is that they are riskier on paper with lower employment rates, lower credit scores, and less money to put down (downward trend). These two trains need to meet for the market to come back, and right now, they are on tracks headed in different directions; as they continue to move farther apart, they are forming a big (and growing) gap of sales inactivity.

So when will the real estate market be back? Who knows? Personally, I would “read the signs” by taking advice from the London Tube- “Mind the (widening) Gap!”



The “How”: How Do We Move Houses Then?

A market has been defined as “a place where willing buyers and sellers meet.” You go to a department store. You want to buy (you want some new jeans!) and the store owner wants to sell you his goods (this is how he makes a living!). So you try on the designer jeans (they look good!) and go to the register to pay.

The clerk rings up what you have and asks for payment. You either pull out cash or a credit card. The clerk accepts payment and you are on your way, free to unveil your stylish ensemble to the adoring public. Everyone is happy!

But what happens when you go to the register and you don’t:

- Have any cash?
- Own any credit cards (that work)?

You’re out of luck and not looking your best. If this happens to the department store too many times, he’s out of business. And if this continually happens to department stores, the retail industry is in trouble.

If you owe the bank \$100, that's your problem. If you owe the bank \$100 million, that's the bank's problem.

(J. Paul Getty)

This can easily be reworded to fit today’s real estate market:

“If you can’t get financing to buy a house, that’s your problem. If millions of people can’t get financed, that’s the home seller’s (and their real estate agent’s!) problem.” (Brett Furniss)

Fact: Buyers want to buy homes and sellers want to sell their homes

Fiction: It is impossible to make a living doing this in today’s market

Q: If it is possible, what is keeping it from happening? What’s missing?

A: The money in hand!

Q. This sounds like the department store example. What's different?

A. It's not that different. I'm glad you asked!

Retail Stores in a Bind!!

"Sears Layaway Revival Suggests Retail Financing Challenges" (Mike Duff, B-Net News, 1/19/09)

AND

"This holiday season, retailers are offering maxed-out consumers an old-school solution: layaway."

*Kmart, TJ Maxx, and Marshalls are among the stores willing to hold on to purchases while customers pay for them over time. While layaway programs fell out of favor in the mid-2000s as credit cards made it easy for people to get what they wanted right away, they are now making a comeback as the economy slows and *credit markets* tighten."*
(Kimberly Palmer, US News & World Report, 10/28/08)

AND

"Layaway was pretty much declared dead when large retailers such as Wal-Mart pushed it out the door. Its demise came as a result of the onslaught of readily available credit cards that promised quick possession of purchases." (David Migoya, The Denver Post, 1/30/10)



Does any of this sound familiar?

Real estate's version of layaway is:

Rent-To-Sell Homeowners... are just like Retailers (K-Mart, Sears, etc.) who can't move products because of the poor economy

Rent-To-Own Tenants... are like cash-strapped customers who don't have enough cash or credit to buy what they want

When the banks stopped lending and the credit markets tightened, rent-to-own services came back in a big way.

So the buyers have problems. That makes it so the sellers have problems. And the real estate agents who make a living transacting these deals really have problems!!

“The market can stay irrational longer than you can remain solvent.” (Wall Street mantra)

So what's the answer? Rent-to-own is one of them. Read on to learn how to profit from this niche.

“...The harvest is plentiful, but the workers are few.” (Matthew 9:37)



Charlotte Property Management Weekly: Retail Lessons on How to Sell the “Little House on the Prairie” in Today’s Market

“Oh, I wish a buyer would buy my house now...” (Many anxious Charlotte home sellers)

“Oh, I wish I could buy a house right now...” (Many anxious Charlotte renters)

Retailers are getting a really bad rap these days. Their sales figures are low, profit margins are terrible (they have to discount *everything* to move it), many are going into bankruptcy, and Wall Street is punishing their stocks. Surprisingly, retailers used to innovate extensively to drive sales. Unfortunately, much like Austin Powers, they lost their mojo. But first a brief recap of retail’s glory days...

Back in the day (I’m thinking of the Oleson’s family store in Little House in the Prairie as a reference...), sales were all about cash & carry. When Half-Pint (err, Laura Ingalls) went into the store with a penny, she walked out with a licorice stick. Done deal. This allowed sales to come to certain point, but then flatten. One day some smart retailer came up with the “layaway plan” to drive sales growth; instead of a customer having to have all the money upfront, they could make installment payments and get the good when it was paid off. Sales went up as more customers were able to purchase. Then after sales growth flattened again, they needed the next big idea- and it was a whopper- the credit card. Now the customer didn’t even have to have *any* of the money and they still got the good. Sales soared as even more customers had the ability to buy. It was pure genius, a true win-win. More customers were able to get what they wanted and the retailers made more sales.

Now, how does this transition to real estate? We are lost in a world where people are not getting loans and just buying our homes outright. Where your Realtor, Suzy “Sales Hotter than a Hot” Pepper, can’t sell your home, something is wrong. Seriously wrong. Pa Ingalls can’t understand why his “Little House” won’t sell; he built the darn house with his bare hands! It’s solid! And it has been sitting on the market for 200+ days! Great acreage, hardwoods throughout, wood-burning fireplace...

When retailers saw sales flatten, they innovated. It didn’t matter whether their customers had money or not, they worked around the issue and found a solution to exponentially drive sales. Imagine that conversation... “We need to drive sales” “How? We already are getting most of the public’s discretionary income.” “Doesn’t matter- we’ll find a way to give the public access to more money- and then they’ll spend it with us!” “What?!?!”

The solution for opening up the real estate market to the greatest number of customers in today's market lies outside of the world of banks. In later articles, I'll go into greater detail on where the innovation in real estate will be: rent-to-own, rent-to-sell, & seller financing.

The Little House will sell! Just not in the way you expected...

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Rent-To-Own Vs. Rent-To-Sell- What is the difference?

This is a frequently asked question!

Rent-to-own (lease option) is from the tenant-buyer perspective; the tenant rents your home with the intention of purchasing it sometime during their rental period.

Rent-To-Sell is from the seller's perspective and is described briefly above. It is simply the best way to market your home for sale to the largest number of potential buyers.

Rent-To-Own Vs. Lease Option- What is the Difference?

There isn't any.

I use "rent-to-own" and "lease option" interchangeably throughout this Guide.

Rent-To-Own Vs. Lease Purchase- What is the difference?

Practically-speaking, there isn't any.

Technically-speaking, there is.

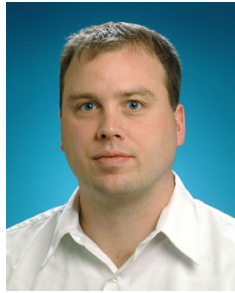
Briefly, a "Rent-To-Own" agreement includes a tenant-buyer's option to purchase the home during their lease period. If they exercise the option and they buy the home, great. If they don't, that's fine legally too.

A lease purchase is a contract to buy the home; the tenant-buyer is legally obligated. If a buyer doesn't buy the home after their lease expires, they are in violation of their contract. They can be sued.

I say these two agreements are practically the same because as a homeowner, you would have to sue the tenant-buyer to force them to buy your house (if they didn't buy it). Normally, people can't buy because they still have bad credit and/or no money. All lawyers will tell you that suing poor people is not smart. That is why Julia Roberts went after P&G (huge conglomerate) in her lawsuits in the movie, Erin Brockovich, and not the poor, broke town the people were living in. Besides, lawsuits cost money and most sales contracts have plenty of "outs" for buyers who don't want to close.

A "rent-to-own" agreement lets the tenant walk away from buying the house without legal penalty. A "lease purchase" agreement essentially does the same, though some people will disagree with me on this.

I don't use the term "lease purchase" very often in this Guide for that reason.



About the Author

Brett Furniss is the founder and president of BDF Realty, Rent-To-Sell Realty, and BDF Realty Solutions, LLC. He has been involved in real estate investment, brokerage and property management since 2003.

This is Brett's second book on lease options. His first book, [Rent-To-Sell Your Own Home E-Manual: Get Paid \(And Build Equity!\) While the Pros Sell Your Home](#), is available on www.RentToSellBook.com.

Brett was born and raised in Lincroft, New Jersey. He graduated with highest honors from Grand Canyon University in Phoenix in 1999 and received his Masters in Business Administration from the University of North Carolina at Chapel Hill in 2009.

Professionally, Brett worked for Nextel Communications in New York City for several years where he was #19 nationally in sales before he left in 2003 to start BDF Realty in Charlotte.

You can follow his Twitter thoughts on the Charlotte real estate market by clicking on <http://twitter.com/bdfrealty>. You can also subscribe to his blog, "Charlotte Property Management Weekly" (www.BDFRealty.com/Blog/php), which talks about creative financing (rent-to-own, rent-to-sell, owner-financing), property management, small business, and whatever else comes to his mind.

Brett currently resides in "Uptown" Charlotte, NC.