

Know Your Rights: Rent-to-Own in Washington State

Should I read this?

This will help you understand rent-to-own (RTO) home purchase agreements. There are two sections:

- **Considering Rent-to-Own?** – Read this if you are thinking about buying a rent-to-own home. It warns about the risks. It lists ways to protect yourself.
- **Already in an RTO** – if you are living in a RTO home, you may face problems.

Considering a Rent-to-Own Deal? Think Again

What is “rent-to-own”?

In this agreement (sometimes called a lease-option), a landlord rents you a home and gives you the **option** to buy it in the future. **You are a renter, not a homeowner.** Few if any of these deals are ever completed. You can end up losing the money you have invested and the home.

There are many risks. Be aware of them before signing! You may pay a large down payment. You cannot buy the home until the end of the rental period. The contract will probably hold you responsible for all repairs and maintenance. The seller may tell you that you must pay property taxes and buy insurance. You will not get your money back if you do not buy the home.

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- ❖ You will make payments like an owner, but only have a renter’s rights. For more about those, read [Your Rights as a Tenant in Washington.](#)
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How can I tell it is a rent-to-own contract?

Usually there is language in the contract saying “rent-to-own,” “lease-option,” “lease purchase,” or “option to purchase.” Talk to a lawyer to find out how your contract works.

I want to buy a home. What is an “option to purchase?”

It is a contract between you and your landlord giving you a chance to buy the home later if you complete all conditions. You are not the buyer or owner. You are just a renter. Rent-to-own sellers sometimes trick people into thinking they are buying a home. They are not.

Options to purchase can be hard to turn into a purchase. If you do not do everything the lease says, you cannot buy the home, even after years of payments. Also, the option can expire or end. The landlord does will not have to sell you the home after a certain day/event.

Carefully read your rent-to-own agreement to learn when you can exercise the option, and how it expires. You are a renter until you exercise the option. The section “When will I own my home?” below, has more about exercising the option.

What can go wrong with rent-to-own?

Many things:

- **The landlord may have no intention of letting you own the home.** The landlord wants a large down payment, higher rent, and for you to pay property taxes, insurance, and make repairs. S/he plans to evict you before you can buy the home.
- **It sets you up to lose.** You may lose the right to buy the home and lose all of your investment when you commit even a small violation, like paying rent late or breaking a lease rule.
- **You may lose the money you put into repairing the place.** Many RTO homes are in bad condition. You will have to pay for improvements plus rent. You lose your money if you do not buy the home.
- **If the home is not up to code, banks will not lend you what you need to buy it.** If you must make a large, final payment to exercise the option and you cannot get a bank loan because the home violates code, you will probably lose the home. Many sellers sell homes as RTOs because they are not up to building, electric, or plumbing codes.
- **RTO gives you fewer protections than a traditional home purchase. The seller can evict you as a renter.** You have no right to cure a default to save the home. Legally it belongs to someone else. You will get no foreclosure notices. You will have no right to catch up on missed payments. The seller can evict you on three days' notice if you are late once with rent.

- **The seller may not have full title to the property.** If there is a co-owner or the seller has mortgaged the property, you can make all payments and still not be the legal owner.
- **You may lose your down payment.** If you cannot buy for any reason, the landlord will keep your down payment.
- **You may have to make a balloon payment.** If you must make a large final or balloon payment at the end of the option to purchase and you cannot, the landlord will evict you and keep every payment you made.
- **If the seller loses the home, you lose the home.** If the landlord loses the home in foreclosure because s/he did not pay taxes or the mortgage, the bank will evict you and you will lose all your payments.

I want to go through with rent-to-own. How can I protect myself?

- **Do not sign anything you cannot read/understand.** Do not trust the seller or his agent to tell you what the lease says.
- **Talk to a lawyer.** Hiring a real estate attorney or talking to a legal aid attorney before signing can protect your rights, help you get a better deal, or save you from making a mistake that will cost you thousands of dollars.
- **Have the home inspected.** Make sure it has no hidden problems. Have the landlord make any needed repairs before you sign or move in.
- **Have a professional appraise the property.** Make sure you are getting a fair price.

- Purchase a **title search** before signing. Make sure there are no liens/mortgages on the property.
- Valid options to purchase land must **have a legal description and be notarized**. Both parties must **sign it**. To protect your investment from the seller's creditors, you must **file** the option at the County auditor's office. Do not rely on the seller to file it. Filing tells later creditors, lenders (banks), and others that you have an option to purchase.
- Make sure you and the landlord **follow the agreement**. Check to see if the landlord is paying the taxes and insurance, if required to. If you miss a payment or violate the lease in some other way, catch up or fix the problem right away. If you act quickly, you might avoid a notice ending the tenancy. Get legal help right away if the landlord is not following the agreement.
- **Keep everything** you have signed and all receipts, including for rent, repairs, improvements, and taxes. You will need these if you ever have to go to court.

I am already in an RTO Home. What are my rights?

When will I own my home?

Every agreement is different. Have a lawyer look yours over.

You are a renter until you exercise the option to purchase. "Exercise" means you follow the correct steps to notify the landlord that you have decided you want to own the home. The contract should state how you exercise the option.

Some RTOs will not let you exercise the option until the end of the rental period, many years out. Then it is more likely that you will lose your option to purchase because of late payment, lease violation, or need to move.

Exercising the option is often hard. Many sellers design it that way. **Read the terms of the option carefully**. A mistake could allow the seller to argue you did not successfully buy the property. Then you must hire a lawyer to sue the landlord.

Does the contract protect my right to buy?

Only if it meets legal requirements. Under [RCW 64.04.010](#) and [RCW 64.04.020](#), a RTO contract must be all of these:

- 1) In writing.
- 2) Have a proper legal description. The address is not enough.
- 3) Signed by seller and buyer.
- 4) Notarized.

❖ **RCW** stands for [Revised Code of Washington](#), the laws of the state. It is available at any library and at <http://apps.leg.wa.gov/rcw/>.

Contact a lawyer to have your RTO agreement put in proper written form. Most rent-to-own agreements have no proper legal description, and are not notarized. A court might not enforce them.

If you made the deal with a handshake or without meeting the legal requirements above, it will be hard to enforce the option. The landlord may claim that there is no rent-to-own contract or that the contract is not enforceable.

A court might enforce an RTO deal if you took possession of the home, paid rent, and made substantial improvements to it. **This is a complicated legal argument. Get help from a lawyer.**

Am I responsible for repairs?

In most cases, no. This is how many RTO disputes arise. Your landlord and the paperwork you signed may say you must make all repairs. The law says your landlord has the duty to keep the premises fit for living, be up to all codes, and do other maintenance listed in [RCW 59.18.060](#). If your landlord put in the lease that you are responsible for repairs, this is likely illegal. [RCW 59.18.230\(1\)](#).

You can be responsible for major repairs with a rent-to-own deal if you had your own lawyer or certain government attorneys approve the written agreement. [RCW 59.18.360](#) and [59.18.415](#).

Can the seller evict me?

Yes, exactly the same way as any renter (unless you exercised the option). To understand the eviction process, read [Eviction and Your Defense](#).

Can I get out of the deal?

Know your legal options before deciding what is best for you. **Talk to a lawyer.** Your lawyer can advise if it is better for you to move out, try to get your money back, or try to buy the home.

Where can I get legal help?

Hire a private attorney.

Lawyer Referral Services:

<http://apps.americanbar.org/legalservices/findlegalhelp/lris.cfm?id=WA>

If you cannot afford a lawyer, call the Northwest Justice Project's CLEAR line at 1-888-201-1014. Or go to www.washingtonlawhelp.org.

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