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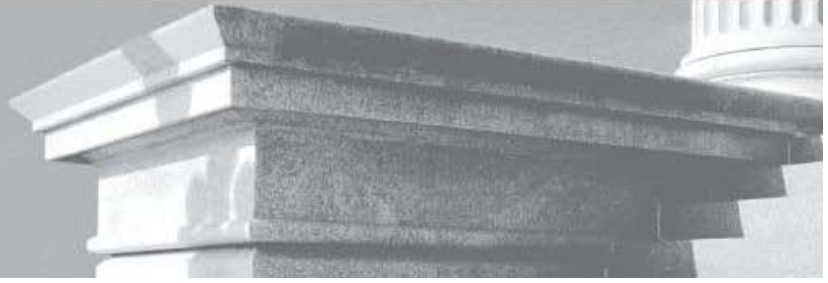
**Page 1 of 15**

## **Lease to Own | Option to Purchase Realty Agreements in Ontario**

DISCLAIMER: Please note that the information provided in this DL Guide is NOT legal advice and is provided for educational purposes only. Laws are subject to change and without notice. This DL Guide may be outdated. If you need legal advice with respect to drafting, revising, negotiating or resolving a dispute concerning a Residential Lease Agreement, you should seek professional assistance.

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**Table of Contents**

What is a Lease to Own | Option to Purchase Realty Agreement? ..... 3

Why Have a Lease to Own | Option to Purchase Realty Agreement?..... 3

Caselaw involving Lease to Own Agreements ..... 4

Essential features of a Lease to Own Agreement: ..... 6

Residential Lease Agreement ..... 7

Option to Purchase..... 7

Purchase Price..... 8

Term..... 9

Notice..... 9

Transferability ..... 10

Option Fee ..... 11

Monthly Credits ..... 11

Termination ..... 12

Consequences of Termination ..... 12

Agreement of Purchase and Sale ..... 13

No Advertising ..... 13

Check the Vendor’s Mortgage..... 13

General Terms ..... 14

About Us..... 15

### [What is a Lease to Own | Option to Purchase Realty Agreement?](#)

Here is the situation. You own a residential property. Now you want to rent it. Perhaps you are using a [residential lease agreement](#) to rent it to a tenant. But you also want to give the tenant the option to purchase the property at some time in the future at a set price. This option is documented through a “**Lease to Own Agreement**” or “**Option to Purchase Agreement**”. The name of the option agreement doesn’t really matter. It is the substance of the agreement that is important.

### [Why Have a Lease to Own | Option to Purchase Realty Agreement?](#)

Sometimes, it can be hard for a potential homebuyer to get a mortgage from a lender. They may not have adequate or steady income, be unable to put a large amount of money down as a deposit, or have excellent credit. If a person is new to the country, it can be even harder for them to get financing. That is where a Lease to Own or Option to Purchase Realty Agreement comes into play. Here, the Landlord / Vendor basically allows a Tenant / Purchaser to have the option to purchase the Property at some future date and for a set price. The Purchaser is said to have an option to purchase the home. If and when the Purchaser exercises the option, they will be required to close the transaction; if they do not (e.g. they still cannot get financing), then they will forfeit the option fee (discussed below) that they paid for the right to have the option. They will also typically forfeit the monthly credits which the Vendor would have given them for each month they paid their rent in full and on time. That monthly credit could have been used to reduce the purchase price. Now, the buyer may not even GET the chance to exercise the option if they are not a good tenant: if they abandon the property or the lease is otherwise cancelled, then the option to purchase agreement will also terminate.

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