

# "Lease Option Secrets"

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## About Author

Alan Forsyth went to school in Dundee, before going to Edinburgh University and studying BCom (Hons) Business Studies and Accounting. He bought his first property as a student – a 4 bedroom house in a popular student area. On graduating, joined a blue chip company, was offered a manager's role after a year, and stayed for 5 years. During this time he also completed a diploma in Business Administration at Lancaster University.

Sold Edinburgh property, and with the profits bought several properties in Leeds where was based at the time. He then joined a larger blue chip company in 2002 as an operations manager. Around this time read Rich dad Poor Dad, and realised he wanted a different life! He set clear goals, and started investing further on properties.

Quit the day job in July 2004 and soon set up the website, [www.property-investment-tips.com](http://www.property-investment-tips.com) , then set up this website **www.property-investment-deals.com** at the start of 2005.

**Since then he has carried out over 100 consultations and his team have sourced over 1000 deals for investors. Alan is considered a leading property expert and writer, and his views and articles are regularly sought in the UK and overseas.**

He took over Property Secrets in September 2009 – and leads a strong team here.

He writes regularly for several property publications including [Peter Parfait's www.hotpropertyalert.co.uk](http://www.hotpropertyalert.co.uk), [www.freshstartmagazine.co.uk](http://www.freshstartmagazine.co.uk) and [www.propertytalk.com](http://www.propertytalk.com) where he is the UK expert. He is also the Overseas property expert on [www.eyeonworldwide.com](http://www.eyeonworldwide.com) where he writes a weekly column. He is asked for his views regularly by newspapers, including the Independent, Irish News and the Scotsman.

His article entitled "**Why Property?**" has been published on property and finance websites throughout the world, such as [www.britishexpat.com](http://www.britishexpat.com) , [www.allmoneytopics.com](http://www.allmoneytopics.com) , [www.reidepot.com](http://www.reidepot.com) , [www.buyincomeproperties.com](http://www.buyincomeproperties.com) and many others.

Other articles can be seen at [www.propertytalk.com](http://www.propertytalk.com) , [www.homestagers.co.uk](http://www.homestagers.co.uk) and [www.hotrealestatemall.com](http://www.hotrealestatemall.com)

In spare time he plays golf, watches football, travels (although usually to check out a deal!) and spends time with his girlfriend and friends. Key influences - Kiyosaki, Jim Rohn, Tony Robbins, and many other inspirational people and investors.

## Introduction

As we are still basking in the glow of the embers created by the destruction of the recession, there is hope for home owners. This book was created to help you to gear your property business to help people that are left in a shambles because of what some irresponsible people did to wreck the buying and selling market. This book contains the key secrets concerning lease options along with step by step instructions that can help home owners and your property business rise from the ashes like the legendary phoenix. This book contains everything you will need not only to revive your business but to take it to new heights of success and prosperity as you will be able to create a lease options consultancy that people will flock to for answers.

## How to Use this Book

This book is designed more as a reference book than one that was meant to be read from beginning to end. Each section was created for a specific area of leasing and so can be read and understood without having to read the rest of the book. This allows you to use the information as you need to. Pull out specific instructions for a particular issue and this allows you to pull that information out for those clients you are working with.

This book is split into three main sections:

Part 1 - This part is dedicated to the explanation of the foundations of property options and an overview of how those options can work for the home owner.

Part 2 - This part is dedicated to the underlying theories of a homeowners property option. It provides the reader with the knowledge how to apply those theories to creating options for your clients.

Part 3 this final part includes sample templates of contracts and agreements needed for lease option deals.

So you can look into any of these sections and also use the table of contents to thumb to the section that you need.

## Part 1 Foundation of Property Options

This section deals with the foundations of property options available for home owners. In this unsure economic client, it is good to know that there are still options since the banks have all but shut their doors to some groups of investors and home buyers. This book is dedicated to offering options to home buyers as they will learn that they still make money off their property investments and stave off repossession. This section is about creating a new outlook toward property investment without the worries that this unprecedented recession has brought to investors on a global scale.

As a property investment consultant, it is your job and obligation to those you work with to know all of the possibilities and options. This section will begin to give you an understanding that you can help yourself as an investor, homeowners who are struggling to make mortgage payments and indeed other investors.

### Chapter 1

#### The Nuts and Bolts of Property Deals

If you are reading this book you probably have a basic idea how an investor buys property. This process is the same for veteran investors or even first time buyers. The process goes something like this:

1. First a price is offered and negotiated.
2. The process of obtaining a mortgage is initiated.
3. Instructing a valuation and a solicitor is involved.
4. Buyer waits for the mortgage offer from the lender.
5. Contracts are signed and exchanged by the parties.

## 6. The purchase is completed.

There are a number of players that are involved in this process such as the real estate agent, the mortgage broker and solicitor or valuer and the lender.

No matter how much negotiation and work is done to finalize the deal, it is completely contingent on what the surveyor or valuer says the property is worth. This is the figure the lender uses to determine how much to lend or the loan to value.

### The Surveyor

It is up to the surveyor to set the value of the property before purchase. Most surveyors are accredited with the Royal Institution of Chartered Surveyors (RICS). This association provides the guidelines and procedures that are standardized for giving the value to a property and this is why most lenders require that the surveyor is RICS accredited.

The surveyor must give a value of the property regardless of the asking price or market speculation. It is often the case that the value is less than the asking price and this protects the surveyor from a claim of their indemnity insurance that insures that if the property were to be repossessed that it will sell for the value that the surveyor gives it.

### Risk in the deal

There is a risk to any investor when they buy property. This is why many investors use other people's money such as banks or building societies. This is where no money down deals are created. So what are these no money down deals? These deals work when there is property inflation. These type of deals occur when a property owner refinances their own home and the money they can draw out, they use to put as a down payment for a rental property. The other 65-85% they borrow from lenders since this is the amount most lenders are willing to finance. This only works when the surveyor values the property at the purchasing price. If the amount that the

property is valued at is lower than the asking price, the investor would have to come up with a higher amount to invest as a down payment.

Once the investor buys the property, they can then allow that investment property to grow in value, refinance and have money to buy another investment property. The investor's home increases in value and they can draw money to buy another property and so their portfolios grow quickly and exponentially.

## Chapter 2

### Handling your Investment Deals

There are so many properties that can get away from you, truly great deals, if you go about landing them the old fashioned way. There are two main hurdles already mentioned that can stop a property deal in its tracks. The first is the surveyor and the second is the lender.

Many investors find themselves in the repeating loop of setting up deals only for something to go wrong with the survey or lenders. They put in time, money and effort only to have it fail time after time. There are solutions; you just need to find the back door to a property deal rather than always trying the front one.

### Make the Change

In these times of economic instability, many property investors have taken the stance that things are too risky and they are worried about losing everything. They are stuck in the old patterns of acquisition and allow fear to dictate their moves.

There are other investors that are taking a different approach. They see the recession for what it is, a money generating opportunity. This means taking a fresh view of the way you do business.

Many people are struck by hard times and see property investors as vultures and unsavoury. They see them as people trying to take advantage of property owners when they are in crisis. One of the strategies you must adopt is recreating your image and your strategies for property acquisition.

### Who really is in Charge?

Do you really believe that you own the house you live in? You may think you own it, but try not paying it for a few months and see what happens. As a property investor you must look at controlling a property rather than the illusion of owning it. **This is where property options are the key to success without really ever having to own property and the problems of mortgages and surveyors.**

What are these options?

**Property can be sold like gold or oil, and these options are referred to as futures. In the case of property, an option is a contract between the buyer and an owner that the owner will deliver a property to the buyer on a certain date and time in the future at an agreed upon price. The property investor now has control of the property without owning but can make money with the property in the meantime.**

Now that you have the right attitude, the right approach and the right tool of property options, in the next chapter you will learn step by step how this process works, and how you can make a lot of money in this seemingly barren market.

## Chapter 3

### Looking At Property Options Step-By-Step

It is important to understand the terminology that is attached to property options. If you are trying to explain the process to your clients or indeed home owners, you must understand and be able to explain to them what it is all about in the simplest terms.

**Option** - This is the agreement between the investor and the property owner. The owner sets the time and fixed amount in which they can exercise their option. The investor gives the owner a premium which is part of the promise to buy. If they chose not to exercise their right to buy, then they lose the premium to the property owner.

**Writer or Grantor** - This is the person that grants the option or the owner of the property. They are also referred to as the optioner or underwriter, but for the purposes of this book we will refer to them as the owner.

**Purchaser or Grantee** - This is the property investor. They are the one given the option to buy the property.

**Premium** - This is the fee that the investor pays to the owner initially. This is the option fee or option price, and can be as little as £1. This is non refundable if the investor decides not to exercise their option.

**Exercise Price** - This is the agreed upon price for the property. This is the price that the investor can pay when they are given the option to buy the property. This fee does not change at all during the option period.

**Asset Price** - This is the value of the property. This can vary during the duration of the option period, but does not affect the exercise price.

**Option Period** - This is the time when the investor can exercise their option and buy the property. The investor can exercise their option at any time in the option period.

## How does this benefit an investor?

Remember that the asset price and the exercise price can be two different amounts. The best case is that the exercise price is lower than the asset price. This means that there has been a profit on the investment. If the asset price is lower than this, there is a potential loss for the investor and they may take to option not to buy at the end of the option period.

This process is outside of lenders and surveyors so the price must be negotiated solely between the investor and the owner. In order to come up with a winning price there are two things you need to think about:

**Time Value** - Investor can buy any time in the option period so have a little more control over the best time to buy ie if calculate prices will rise in 5 years time, then you may want an option of at least 6 years to cover this period. Incidentally in some countries you can only exercise the option at the end of the Option period.

**Intrinsic Value** - This is the difference between the property value and the exercise price. This is the real value to the investor and they want the intrinsic value to be as high as possible. Let us consider the intrinsic value for a moment:

(Exercise price – Asset price)

If your exercise price is £150,000 and the asset price is £180,000, the intrinsic value of the property option is £30,000. This is great because you have an investment worth £30,000 of potential profit.

If you are an investor looking to buy an investment property, you may only pay a low token premium such as £1. If, however you are a tenant on the property you may have to work out a premium that is worth up to about three months rent. Sometimes the premium may be a percentage of the exercise price.

There is more than just the payday profit at the end of the option period. If you rent the property during the option period you will be able to make rental cash income. You should figure that into your potential profit. Using the example above:

Suppose you make £200 a month in profit over a 5 year period. That's 60 months for a profit of £12000.

(Intrinsic value + net rental profit)

£30,000 + £12000= £42,000

That is a significant profit!

## Chapter 4

### Let's Make It Happen

Now that you have a general understanding of the types of options and how they work it is time to put them into action for your clients.

First you need to decide what type of property options your client is looking for:

Purchase

Lease

Sandwich

The first type is the **purchase type option**. This is a straight out sale. The investor and owner come up with an option price, premium and option term. During the option period the owner has no rights to collect rent but they also are not responsible for the mortgage. This gives the buyer time to collect rent, and raise funds for a possible purchase. The owner cannot do anything with

the property but in some areas of the world the investor can sell the option. This can provide an immediate return for the investor. The option is still the same, but there is just a new investor.

The next type of option is the **lease option**. This is the option in which the buyer can reap the benefits of rental income while working up to buying the property at the end of the option period. This is the most common arrangement for property investors. The owner can sell quickly at a fair price and the investor, if gets their figures correct at the start can be confident that they will make a profit.

Finally there is a **sandwich option** in which there is a lease option with a purchase option at the same time. In this type of option the exercise price set with the tenant buyer is higher than the purchase option set with the owner. The investor exercises their option to buy at the same time as the tenant buyer exercises their option with you. This difference in the two exercise prices is pure profit for the property investor. This is beneficial to you the consultant because the tenant buyer pays a premium to you plus rent that pays the mortgage and leaves a profit as cash flow.

In this scenario the tenant buyer can be asked to pay a rent premium instead of a lump sum premium. This helps the tenant buyer in situations such as:

Not having money for a deposit

Their credit score is poor and a longer option can give them time to improve their credit rating.

This type of option helps a tenant buyer raise the funds needed while locking in their purchase price.

## Chapter 5

### Keeping it clean and Legal

It is important for a property investor to protect their rights when beginning an option agreement. Everything that is agreed upon needs to be in writing. It is also important that the investor thinks about exit strategies should something happen so that they are not locked into a deal that cannot manifest.

As you are beginning to develop a deal, here are some areas to consider:

1. If you intend to lease the property make sure there is not a clause in a mortgage that can prevent you from doing so.
2. Consider what will happen if the owner becomes bankrupt or the house repossessed.
3. Have a clause about what happens if the owner dies before the option period is complete.
4. If there is damage or there are repair costs during the option period, who is responsible for it?
5. Make sure that the owner maintains building insurance in order to satisfy any mortgage terms and conditions.
6. What happens if the investor needs to get out of the deal due to adverse searches that return?
7. Make sure that ALL of the owners of the property sign and agree to the option contract.
8. What if the owner changes their mind during the option period?
9. What happens if the owner goes missing? Will there be a power of attorney?
10. What plan is in place should the owner try to sell the property to someone else during the option period or take out loans against the property?

Before you complete the contract and sign it, have a solicitor look it over to make sure that all of your rights are covered. Find a solicitor that is experienced in drafting and closing these

agreements. Like any property agreement, nothing can be altered or changed once both the investor and owner sign the contract unless both agree to make changes and sign off on those changes.

It is important that you do searches concerning the property before signing. A solicitor can help you with these types of searches. Here are some of the types of searches you should conduct:

- Title search

- Environmental search

- Local authority search

- Water search

- Mining search

These should all be clear before signing the option deal.

### **What about Rent?**

Once the deal is completed the investor awaits the property value to increase while collecting the rent or money from the owner to cover the costs. The reality is that the investor cannot legally sublet the property themselves. Only the owner of the property can sign an assured short hold tenancy (AST) agreement. In this case the owner can then appoint the investor as the leasing agent. They deal with the property and collect the rent. The problem is that the rent then goes to the owner per the AST agreement. This can be a problem since the investor will have no cash flow and there is no guarantee that the mortgage will be paid. This can be alleviated if a clause is in the agreement that the investor receives the money directly.

### **Mortgages**

Unless stated in the mortgage agreement there is no obligation to let the lender know that there is an option agreement or an AST agreement in place. Some things that can help both investor and owner are if the owner switches the mortgage to interest only payments for the duration of the option period. This will lower monthly payments. The other tip is refinance the property to a

buy-to-let mortgage because this may offer better lending rates.

Once the agreement is in place, the solicitor must send a copy of the option and management agreements to the Land Registry as soon as possible. This helps prevent anyone from trying to sell or financing against the property during the option period.

## Chapter 6

### Finding the Right Deal and Landing it

If you want to attract investors you need to get your name out there. You need to develop a network of contacts and clients on and offline. This is a list of potential places to start developing a network:

- Property network events- One of the largest is the monthly Berkshire Property Meet (<http://www.berkshirepropertymeet.com>)
- Online property forums- Wealth Dragons has a specialist forum dedicated to lease options and creative deal structuring (<http://www.wealthdragons/forum>)
- Buying leads from distressed vendors – one of the best places to do this is through [www.yourproperty4cash.co.uk](http://www.yourproperty4cash.co.uk) – or contact us for preferred rates at [service@propertysecrets.net](mailto:service@propertysecrets.net)
- Offline advertising- Copy writing and design are the keys to effective advertising.
- Leafleting - Good headlines and ‘tight’ copy that directly involves the reader are key elements of leaflets – along with simple and effective calls-to-action.
- Classified ads - Look in your local paper and look for ads headlined - ‘Cash For Property’ or ‘Facing Repossession’.
- Benchmarking advertising - This is running an A and a B ad with different headlines and copy in order to determine which is working better.
- On line marketing- Google AdWords is a paid-for for advertisers that turn up what Google describes as ‘sponsored’ links in the orange box at the top of the search results page and the small ads on the right side of the same page. Search Engine Optimisation - (SEO) is a marketing strategy based around keywords in content on a web site. The strategy tries to rank your web pages higher in Google organic searches than your competitors.
- Debt management agencies- have many clients who have informal repayment arrangements with their creditors and unlike those under individual voluntary arrangements (IVA) or subject to bankruptcy, debt management clients generally still control their assets.
- Taking The Lead-Listen to investors chatting and they will talk about hot and cold leads. Most will be cold leads but about 2 or 3 out of 30 will be hot.

As an investor or as a consultant, remember you are looking to make money out of the deal as well. You are running a business, not a charity. Here are some rules to remember when structuring the deal that can maximise your profit.

1. You can create an immediate intrinsic value by agreeing a below-market-value exercise price.
2. Remember you can draw more out if you lengthen the option period.
3. Get the owner to agree to a nominal premium such as £1
4. Look to increase the profit by pulling in a tenant on a purchase option.
5. Create a dynamic exit strategy

When working with the owner on the deal try to empathise with their situation. Here are some common things you will hear:

- the property has
  - A mortgage and reasonable equity
  - A mortgage with little or no equity
  - A mortgage and is in negative equity
- The owner needs cash to move out of the property
- They have no mortgage but need an equity release

Once you get an idea of what the needs of the owner are, it is important to employ the right option and strategy.

### **Strategy 1 – A bit or nothing**

This strategy works for properties with decent equity but the owner has too little equity to discount for a below market value deal or does not want to give up cash to make a BMV deal work.

This strategy targets an exercise price that falls between the owner's outstanding mortgage amount and the current market value. In this situation the owner will only get money if and when the investor exercises the option to purchase.

### **Strategy 2 – Take it or Leave it**

This works for properties that have little or no equity. In this strategy the exercise price is set to match the owner's outstanding mortgage. In this strategy the owner basically hands over the property in order to move on. This type of deal has a low intrinsic value and so a longer option period should be sought. You may need to convince the owner that they might have to contribute to the costs a bit to increase your cash flow on the deal.

### **Strategy 3 – Making omelettes from broken eggs**

If the property has negative equity you might want to employ this type of strategy. This type of property could offer a large property, but it also comes with large risks. You need to be sure that the rent will cover the mortgage. The property value may go up and the negative equity situation remedied by handling the finances better than the owner did.

### **Strategy 4 – Get your Money upfront.**

In this type of deal the owner may need a large amount of money at once to move on. They may be strapped for cash because of mortgage problems and overwhelming debt. In most option deals you want to keep the premium at about £1. However, you may reconsider this if the property has real potential of a large payout. You need to consider whether any case you have invested in the deal must make more money than if it were invested in some other investment.

### **Strategy 5 – Reaching the Pot of Gold**

In this strategy the owner does not have a mortgage but wants to earn some money. It is not a traditional option deal but it can be useful in some situations. In this strategy you would agree an exercise price that is close to the current full market value and the title is transferred to the investor who is then the legal owner of the property. In this strategy there is no money exchanged but the investor still owes the agreed sale price of the property. You can allow the former owner to stay in the home rent free for as long as they wish.

### **Strategy 6 - Reducing balance**

This last strategy involves owners who have no mortgage but who are unwilling to consider a substantial BMV deal. In this strategy the owner does not live at the property. They want a steady income and not a lump sum. The investor can put an option on the property and lease to a tenant and pay a percentage of the rent to the owner as his or her income. The payments made to the owner are then used to set off against the exercise price.

## **Chapter 7**

### **Moving to Make the Deal**

You now have the strategies to find the deals and offer options. It is time to seal the deal. It is important to know how to negotiate deals and close them. In this chapter you will learn some negotiating tactics.

1. Help the Owner like you.

In some negotiations, especially where there is competition, it is the relationship with the owner that can save and seal a deal. Be honest with your clients and remember to smile. Be open in your body stance.

2. Listen first then speak.

Allow the owner to speak and really listen and understand their point of view. When they are speaking you will notice verbal and non-verbal signals about how they are thinking about the deal you are proposing. Nod and respond and let them know you are listening. Seek to be empathetic and try to build rapport. Be sincere when you are speaking and do not be robotic in your speech patterns.

### 3. Hide Your Needs

Don't seem needy or greedy. If you are not close to what you want from a deal be prepared to walk away. It is not personal it is business.

### 4. Seek the facts

Do your homework and collect data about the local area and property market so you are ready with facts and figures.

### 5. Hide your bottom line

Even you may feel tempted don't blurt out your bottom line. Seek to understand what the owner wants out of the deal. You need to negotiate and it is normal that the sellers may have unreasonable expectations. If you are pressed for a price you should think carefully about your answer and how you want to handle the situation. If you think that you are in the same area of price then you can feel free to discuss it.

### 6. There will be objections.

In any negotiation there can be objections. Remember to listen and be empathetic to the seller. They are motivated to make a deal or they would not spend their time talking to an investor. Owners can get frustrated and feel that they are not landing the exact deal they want. Allow them to talk about how they are feeling. Take the opportunity to show them the reality of the situation and how negotiations can be beneficial to them.

## 7. Do not lose control

Stay in control during negotiations. Stay focused on developing rapport with the owner. Guide the conversation and stay in control while you can give the owner the feeling that they are in control. You are the expert and you must remain controlled and in control to close the deal.

## 8. Don't let your emotions get in the way.

You are dealing with people's homes and their security and so you cannot allow your emotions to bleed into the situation. Even if the owner becomes emotional you must remain in control with your best look of sincerity. Be supportive.

## 9. Beware buyer's remorse

These types of deals are very serious. Allow the owner the right amount of time to make a good decision so that they do not quickly regret it.

You will find the most successful deals occur when both sides feel they are getting their needs fulfilled and some respect from the other party.

## Chapter 8

### Get ready to go out and make money

You now have all the tools to reinvent yourself as a lease option buyer or as a consultant for property investors in the area of property options. In this chapter I have summarized how to go through a deal from beginning to end. It will provide you a great reference each time you are about go out and make an option deal.

Step 1 – Take control. Do your research before talking to an owner. Be prepared.

Step 2 - Qualifying the lead. You may have bought the lead in which case a lot of the leg work has been done. It is still up to you to build rapport with the owner and seal the deal. Decide what type of strategy you want to use with a particular property. You want to present yourself as a friend that wants to help the owner out of a bad financial situation with lease options. Do not offer and estimate or offer too early. The owner may have already been made and offer. Find out what the deal is and for how much. You can offer your expertise about the value of that deal.

Step 3 - Put the pieces together- ff you have a deal to consider. Run the numbers and do the research to see if it is a viable offer. Try to fashion a deal the benefits everyone involved.

Step 4 – Be prepared to negotiate. You are the expert and you need to explain to the owner how the deal will work and how it will benefit them. You may find some resistance but if you built good rapport you should be able to ease through this stage. The owner may not be thrilled with your offer but this is the time to negotiate. This can take some time, even weeks to resolve. Don't push too hard too soon or you could lose the deal.

Step 5 – Go forward or Walk Away. There will be a point in which the owner will either accept or refuse the deal. If they decline be sure they understand the offer. If they accept the deal, be ready to have your solicitor draft the necessary documents.

Step 6 – The responsibility is on the owner. It is up to the owner to give the investor all the current mortgage documents and statements while the solicitor drafts the proper documents.

Step 7 – Time to Seal the Deal

Once you have all the necessary documents and statements it is time to sign. Set a time to sit and go over and sign the documents. Go through every part of the agreements because often the owner will not have their own solicitor.

Step 8 – The Owner Signs. Once you have gone over everything with the owner, they will need to sign all the documents and date them in the appropriate places. You will not sign the documents at this time. You need to be sure all the necessary searches are done and everything checks out first.

Step 9 – Time for you to sign. If everything checks out, then it is time for you to sign the documents.

Step 10 – Solicitor register documents. Immediately upon signing the documents have your solicitor file the documents with the Land Registry. Pay your premium and get a receipt.

Step 11 – You are all done! You now have control of the property. The owner will vacate the property on the agreed upon date.

## Conclusion

You should now have all the tools you need to go ahead and successfully complete on Options.

The key is now generating enough leads in your local area, or area you are targeting. Consider buying leads from specialist online generating websites, such as [www.yourproperty4cash.co.uk](http://www.yourproperty4cash.co.uk). Any other questions, let us know, by emailing [service@propertysecrets.net](mailto:service@propertysecrets.net)

## **Appendix**

### **Sample Agreements**

OPTION AGREEMENT

RE: ( )

THIS AGREEMENT is made the day of 20

BETWEEN:

(A) “the Sellers”: the individuals and/or companies specified in the First Schedule hereto

(B) “the Buyers” [ ]

WHEREBY IT IS AGREED as follows:

## 1. DEFINITIONS AND INTERPRETATION

In this Agreement the following expressions shall unless the context otherwise require have the following meanings:

1:1 “the Expiry Date” means the date specified in the Second Schedule hereto

1:2 “the General Conditions” means the Standard Conditions of Sale (Fourth Edition)

1:3 “the Option” means the option to purchase the Property, which is exercisable by the Buyers in the manner described in Clause 3 hereof

1:4 “the Option Price” means the sum specified as the Option Price in the Second Schedule hereto

1:5 “the Option Notice” means the notice served by the Buyers pursuant to Clause 3 hereof and in the form annexed hereto (Annex 1)

1:6 “the Property” means the property described in the Third Schedule hereto

1:7 “the Purchase Price” means the sum specified as the Purchase Price in the Second Schedule hereto

1:8 “the Title” means the title number specified in the Third Schedule hereto

1:9 “VAT” means Value Added Tax or any equivalent tax which may at any time during the currency of this Agreement be imposed in substitution therefore or in addition thereto

1:10 “the Defect” means one or more of the following:-

(i) an adverse search result

(ii) an adverse survey result

which in either case would prevent the Buyers from obtaining the maximum mortgage advance possible in respect of the property in question and/or would or may result in unforeseen financial expenditure in respect of the property in question and/or would have the effect that a prudent purchaser of the property in question would be advised by an experienced residential conveyancer not to proceed to purchase the property in question and/or to renegotiate the

purchase price in respect thereof and for the purposes of this clause “the Buyers” shall include any person intending to purchase the Property from the Buyer

1:11 “the Defect Period” means the period commencing upon the date of service of the Option Notice and ending twenty-one days after (but not including) such date

1:12 words importing one gender shall be construed as importing any other gender

1:13 words importing the singular shall be construed as importing the plural and vice versa

1:14 where any party comprises more than one person the obligations and liabilities of that party under this Agreement shall be the joint and several obligations and liabilities of those persons

1:15 the clause headings do not form part of this Agreement and shall not be taken into account in its construction or interpretation.

## 2. RECITALS

The Sellers have agreed in consideration of the Option Price paid by the Buyers to the Sellers (the receipt whereof the Sellers hereby acknowledge) to grant the Buyers the Option subject to the terms and conditions set out in this Agreement

## 3. AGREEMENT

3:1 Conditional upon the Buyers serving the Option Notice upon the Sellers at any time before the Expiry Date the Sellers shall sell and the Buyers shall purchase the Property for the title already deduced free from encumbrances at the Purchase Price provided that :-

3:1:1 At any time during the Defect Period the Buyer shall be entitled to serve notice in writing upon the Sellers specifying that the Property is subject to a Defect (such notice to specify in reasonable detail the nature of the Defect) and upon service of such notice the Contract created by service of the Option Notice shall be deemed rescinded and/or null and void

3:2 For the avoidance of doubt the Buyers shall be entitled to assign or otherwise deal with the benefit of this Agreement and the Seller shall in the event that the Option Notice is served transfer the Property to the Buyers or as they shall direct

## 4. COMPLETION

The date for completion of the sale pursuant to the exercise of the Option shall be the earlier of 28 days after (but not including) the date of service of the Option Notice upon the Sellers provided that if such date shall not be a working day then the date for completion shall be the first working day after such date or the date specified in the Option Notice

## 5. DEPOSIT

No deposit shall be payable (for the avoidance of doubt) to the intent that the option price shall be deemed to be the normal deposit payable and hence shall be treated as such on completion and accordingly deducted from amounts due and payable upon completion.

## 6. CAPACITY

The Sellers will transfer the Property with full title guarantee.

## 7. MATTERS AFFECTING THE PROPERTY

The Property shall be sold:-

7:1 Subject to all covenants rights declarations or other matters specified in the Registers of the Title

7:2 Subject to all Local Land Charges (if any) and all resolutions restrictions requirements orders or notices (if any) and all resolutions restrictions requirements orders or notices (if any) of any local or other authority and all restrictions charges regulations designations agreements or liabilities affecting it by reason of any legislation or scheme

7:3 Subject to all matters revealed or which might reasonably be expected to be revealed by searches or enquiries which a prudent purchaser ought to make of any authority

## 8. TITLE

Title to the Property has been deduced in accordance with Section 110 of the Land Registration Act 1925 prior to the signing of this Deed and the Buyers shall not be entitled to raise any requisition on or objection to it otherwise than in respect of matters arising or disclosed after the date of this Deed and/or arising out of the usual purchasers searches made shortly prior to completion

## 9. INCORPORATION OF THE GENERAL CONDITIONS

Upon exercise of the Option the General Conditions will be incorporated in this agreement so far as they:-

9:1 apply to the sale by private treaty

9:2 are not inconsistent with the other clauses in this agreement

9:3 have not been modified or excluded by any of the other clauses in this agreement.

## 10. VAT

Any obligation to pay money unless otherwise stated refers to a sum exclusive of VAT and any VAT charged on it is payable in addition and at the time of payment the payee shall provide the payer with a proper VAT invoice

## 11. MANAGEMENT OF THE PROPERTY

The Sellers (save with the consent of the Buyer such consent not to be unreasonably withheld or delayed) shall not:-

11.1 grant or agree or suffer the grant of any further lease underlease tenancy or occupational licence formal or informal licence rights of occupation or other third party rights whatsoever relating to all or any part of the Property

11.2 transfer mortgage charge or otherwise enter into any disposition of the Property

## 12. REGISTRATION

12.1 The Sellers hereby consent to the Buyers registering an Agreed Notice at H.M Land Registry against the Title in the following terms:-

“Option Agreement dated in favour of

12.2 In view of the provisions of clause 11.2 above the parties hereto hereby apply to the Chief Land Registrar to enter a restriction in the Proprietorship Register of the title in the following form:-

“No disposition of the registered estate by the proprietor of the registered estate is to be registered without a certificate signed by of by their conveyancer that the provisions of clause 11 of an Option Agreement dated [ ] have been complied with”

## 13. GENERAL PROVISIONS

13:1 No representation warranty or condition either collaterally or directly or indirectly shall be made or implied howsoever arising either as to the state or condition of the Property which shall be sold (if the Option is validly exercised) in its existing condition

13:2 This Agreement will constitute the entire Contract between the parties and may only be varied or modified (whether by way of collateral contract or otherwise) in writing under the hand of the parties or their Solicitors

13:3 The Buyers acknowledge that they have not entered into this Agreement in reliance wholly or partly on any statement or representation made to them other than such (if any) as has been given by the Seller’s Solicitors in any written reply to any enquiry made by or on behalf of the Buyers and/or contained in any correspondence between the solicitors for the Sellers and the Buyers relating thereto

13:4 Upon the Option being validly exercised the Property shall be sold subject to all matters which are by Section 70 of the Land Registration Act 1925 declared to be overriding interests

13:5 The terms and conditions of this Agreement shall not be deemed to merge on completion with the transfer of the Property but shall remain in full force and effect and binding upon the parties hereto notwithstanding that completion shall have taken place

13:6 To comply as far as is necessary with the provisions of the Law of Property (Miscellaneous Provisions) Act 1989 the Sellers appoint the Buyers their attorney for the purpose only of signing the Option Notice on behalf of the Sellers to the intent that the Option Notice shall be signed by both parties and comply with Section 2

#### 14. SERVICE OF NOTICES

For the avoidance of any doubt it is hereby declared that any notice to be served upon the Sellers (including the Option Notice) may be validly given to and served on one of the Sellers individually

#### 15. RIGHTS OF THIRD PARTIES

A person who is not a party to this Agreement will not have any rights under or in connection with it by virtue of the Contract (Rights of Third Parties) Act 1999

#### 16. POWER OF ATTORNEY

As security for the Sellers performance of their obligations under this Agreement the Sellers hereby appoint of (“the Attorney”) to be their attorney to do the things and execute the documents hereinafter specified

16.1 The Attorney may receive from the Buyer the purchase price and all interest which becomes due in respect of it and give a receipt for it

16.2 The Attorney may in the Sellers name as their act and deed sign and deliver all necessary transfers of the Property to the Buyers or as they shall direct

16.3 The Attorney may execute and do all other documents and acts which the Attorney considers necessary or proper for or in connection with the transfer of the Property to the Buyers or as they direct

#### 17. CONFIDENTIALITY

This Agreement and the terms thereof shall be confidential to the parties both before and after completion and except:-

17:1 with the authority of the other; or

17:2 so far as may be necessary for the proper performance of their obligations hereunder; or

17:3 as required by law or any relevant stock exchange ordered to do so by a court of competent jurisdiction H M Land Registry the Inland Revenue or Commissioners for Customs & Excise neither party shall make or authorise the making of any announcement or publication concerning this agreement or any of its terms (either in whole or in part) nor any comment or statement relating thereto without the prior written consent of the other as to the form and content of any such announcement publication comment or statement

IN WITNESS whereof the parties hereto have executed and delivered this Agreement as a deed in all cases the day and year first before written.

THE FIRST SCHEDULE

The Sellers

THE SECOND SCHEDULE

The Buyers

the Expiry Date:

the Option Price:

the Purchase Price:

THE THIRD SCHEDULE

The Properties

ALL that [freehold] [leasehold] property shortly described below and registered at the Land Registry under title number specified below

Address Title Number

SIGNED as a Deed by the said )

[ ]

in the presence of:- )

SIGNED as a Deed by the said )

[ ]

in the presence of:- )

ANNEX 1  
OPTION NOTICE

TO: [Seller]

Re: [Property]

TAKE NOTICE that pursuant to clause 3 of an Option Agreement dated 2009 and made between inter alia Yourself (1) Ourselves (2) WE HEREBY EXERCISE our option to purchase the above property or properties at the price referred to in clause 1.7 of the said Agreement.

Completion Date shall be the day of 20 ] [28 days after (but not including) the date hereof]

NAME AND ADDRESS OF BUYER(S)

Countersignature

for and on behalf of the Seller

DATED: \_\_\_\_\_ 20

[ ] (1)

-and-

[ ] (2)

## MANAGEMENT AGREEMENT

THIS AGREEMENT is made on the day of 2009

BETWEEN:

(1)

The individual(s) specified in the First Schedule hereto (“The Owners”); and

(2)

(“The Manager”).

### 1. DEFINITIONS

In this Agreement unless the content otherwise requires the following expressions shall have the following meanings:

“The Effective Date” means the date hereof

“Insured Risks” means the risks insured against being loss or damage by fire (including lightning and thunderbolt) storm tempest explosion aircraft (and things dropped there from) and aerial devices and impact civil commotion floods burst pipes and such other risks or perils as the Owners shall time to time determine but always including Architects and Surveyors fees VAT three years loss of rent hereunder and third party and property owners liability risks

“Management” means collection of all rental income from the property, attending to all routine maintenance and repairs (other than those arising out of insured risks or compliance with statutory requirements) and where possible to ensure that the Property is tenanted with formal shorthold tenancy agreements in place in respect thereof.

“Monthly Payment” means the total monthly mortgage repayments due for the Property.

“The Property” means the property specified in Schedule 2 hereto

“The Option Agreement” means an Option Agreement bearing even date herewith and made between the same parties as are parties to this Agreement

### 2. TERMS AGREED

#### 2.1 Appointment

The Company hereby appoints the Manager to be and the Manager hereby agrees to act as manager of the Property. This appointment shall take effect from the Effective Date

#### 2.2 Duties

2.2.1 During the continuance of the appointment the Manager shall:

2.2.1.1 Pay to the Owners the Monthly Payment in arrears on the last working day of each calendar month such payment to be paid direct to the mortgagee for and on behalf of the Owners

2.2.1.2 Attend to management of the Property.

2.2.1.3 Keep the Owners informed of relevant matters affecting the Property

2.2.2 During the continuance of this Agreement the Owners shall: -

2.2.2.1 To insure or cause to be insured the Property for the Insured Risks

2.2.2.2 Be responsible for advising the Manager of any changes to the amount of the monthly payments payable to the Mortgagee and to the intent that if any shortfall arises as a result of the Owners failure to advise the Manager of any such changes their liability for payment of any shortfall shall rest with the Owners

2.2.2.3 Forward any monies received direct by the Owners from tenants of the Property after the date hereof immediately to the Manager

2.2.2.4 Provide all information, which the Manager shall reasonably require.

2.3 Fees

Subject to payment to the Owners of the Monthly Payment the Manager shall be entitled to retain all rents payable by the tenants of the Property in exchange for carrying out the duties defined herein.

2.4 Liability

The Owners shall ensure that there is promptly provided to the Manager all such information as shall be required to enable the Manager properly to perform his duties under this Agreement and no liability shall attach to the Manager by reason of his having acted or omitting to act where such action or omission resulted directly or indirectly from any failure or delay in providing such information.

2.5 Termination

2.5.1 This Agreement may be terminated at any time by the Manager by one month's notice in writing to the Owners or immediately by notice in writing to the Owners if at any time:-

2.5.1.1 The Owners shall in respect of an individual become bankrupt or unable to pay their debts or have no reasonable prospect of being able to pay their debts within the meaning of section 267 and 268 of the Insolvency Act 1986 in or in respect of a company goes into liquidation (except for a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Manager);

2.5.1.2 The Owners shall commit a serious breach of the provisions of this Agreement and/or the Option Agreement and shall not have remedied that breach within thirty days after the service of notice requiring it to be remedied.

2.5.1.3 In the event of an Insured Risk occurring to the Property

2.5.2 This Agreement may be terminated by the Owners by one months notice in writing to the Manager if the Manager does not exercise the option in respect of the Property granted by the Option Agreement such notice being capable of being served at any time after the Expiry Date (as defined in the Option Agreement)

2.5.2 Subject to the provisions of clauses 2.5.1 and 2.5.2 above this Agreement shall continue in force until the expiry of three years from (but not including) the Effective Date.

## 2.6 Notices

Any notice to be given may be served by being left at or sent by recorded delivery to the address of the Owners or the Manager (as appropriate) as specified in this Agreement or such other address as either party may from time to time notify the other in writing and any such notice given by post shall be deemed to have been served (unless the contrary shall be proved) at the expiration of 72 hours after posting.

## 3. GENERAL

3.1 The parties hereto are not in partnership with each other.

3.2 This Agreement is for the benefit of the parties to it and is not intended to

3.3 This Agreement is confidential to the parties to it and each party shall take all proper and reasonable measures to ensure the confidentiality of all information disclosed to them directly or indirectly as a result of the provisions of this Agreement.

### Schedule 1

The Owners

### Schedule 2

The Properties

All that [freehold] [leasehold] property situate and known as:

SIGNED as a Deed by the said )

[ ] in the )

presence of:- )

SIGNED as a Deed by the said )

[ ] in the )

presence of:- )

SIGNED as a Deed by the said )

[ ] in the )

presence of:-

SIGNED as a Deed by the said )

[ ] in the )

presence of:-