

THE BIGGER PICTURE: Rent-to-own mess

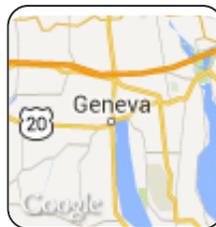
By SPENCER TULIS | Posted: Tuesday, March 31, 2015 5:00 pm



The Bigger Picture for March 31, 2015

David — he chose not to use his real name — has had problems with the seller in his rent-to-own agreement for this house at 3 William St. in Seneca Falls. Above, he discusses the issue with Michelle Robbins of Seneca Falls Library (middle) and Anne Wilkes of the Cayuga/Seneca Community Action Agency.

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There are predators in our area. That sentence alone should pique readers' interest.

Anne Wilkes of the Cayuga/Seneca Community Action Agency in Waterloo said her organization is operating in what seems like a “Wild West” atmosphere — and little is being done to control the situation.

People are victimizing and exploiting some of the most vulnerable of residents: those suffering financially, the undereducated and others simply in need of shelter. I am talking about property owners who are selling homes as “rent to own.”

A lot of you reading this probably never gave much thought to it, but for many directly involved, it

has created a nightmare.

Generally, it goes something like this:

An owner offers his or her property as “rent to own.” It usually involves a sizable down payment, and then a portion of the monthly payment is put toward the remaining balance. The process, also known as a “lease purchase” or “lease option,” is typically arranged with a buyer who lacks stellar credit.

David — he chose not to use his real name — was willing to share his experience, one that happened in Seneca Falls. According to Wilkes, David’s basic scenario happens routinely throughout the Finger Lakes region.

A recent survey done by Cayuga/Seneca Community Action Agency showed 13 addresses in Seneca County alone the past two months where a family was victimized. It also has happened recently in Lyons.

In David’s case, he put \$5,500 down for a home at 3 William St. in Seneca Falls (left in photo) in 2012. Like many entering such an arrangement, his credit was poor. He was told he would have to pay \$1,000 per month, with half going toward the purchase price. His interest rate for the 25-year life of the loan? Over 12 percent.

To give you an idea of how absurd this “deal” was, according to Wilkes, in 2010 this same home was offered for sale for \$12,000.

The seller stands to make thousands in profit.

Once a seller has made enough money on the deal, there are many easy ways to get his or her property back and start the process again with a new buyer.

When problems with the home occur — believe me, as a homeowner I can assure you there are many — they are the concern of renter/future owner, like David, to fix. In the case of his home on William Street, the problems mounted, enough so that it became unlivable.

David, 59, had a long career as a mechanic but is now disabled. He had shared the home at William Street with his wife, two kids and his father-in-law and wife.

Among the ways the original seller can get a property back:

— The tenant buyer slips up just once on the lease agreement. The seller insists the tenant buyer can no longer purchase the home and must forfeit the down payment and rent payments. This can be something as simple as one late payment.

— The seller pockets the money instead of putting it toward a bank loan. The house is foreclosed on, and the RTO (rent-to-own) buyer is out of luck since the title is in the seller’s name.

— In some extreme cases, the seller does not actually own the property, and the tenant buyer has

been making payments on a fraudulent lease and agreement. Others may have liens on the property of which the buyer was unaware.

How can this happen so often? Because there is no standard contract available for such transactions, nor rules or regulations to abide by, nor any sort of checks, balances and oversight by anyone or any agency.

Ultimately, sellers provide their own, sometimes handwritten, contracts. In David's case, he claims his seller actually changed the agreement to the seller's liking after David signed the original one.

Not all rent-to-own situations are corrupt. Some sellers are honorable, but sadly, Wilkes says the honorable ones seem to be in the minority.

As a result of this issue, a committee has formed to look into the problem and work on solutions. Members, all of whom are volunteers, include people from a variety of agencies throughout Seneca, Ontario and Tompkins counties — and beyond. United Way of Seneca County, Cayuga Health Network, Generations Bank, Seneca County Code Enforcement Office, Legal Assistance of Western New York and The Housing Council at Pathstone are just some of the agencies involved.

The goal is to develop policies and a process to help protect buyers. Ideas include a standardized contract to be registered with a third party; full disclosure about a home's condition; providing a monthly statement to buyers to assist in the tracking of equity; determination of an "I'm done" date; and proof of a clear title.

It's important for anyone interested in an RTO to understand the consequences before signing on the dotted line.

The Rent To Own Committee now holds regular meetings that the public is encouraged to attend, especially those having RTO problems. The next one is scheduled for 2 p.m. April 10 at the Seneca Falls Library.

The accompanying inset photo shows David at my interview, along with Wilkes (right) and Michelle Robbins of Seneca Falls Library. Bill Lamb of Catholic Charities is not pictured.