



******For Immediate Release******

Singing the praises of Lease- Option

An informal task group has formed to popularize lease-option (L-O) as a means for some Community Owners (COs) to transfer ownership of manufactured homes. In an L-O transaction, also referred to a lease with option to purchase (LTP), a CO enters into a lease of the home-site, a separate lease of the manufactured home, and a purchase option agreement. The tenant pays rent for the site and rent for the home, and during or at the end of the lease term will become, or has the option of becoming, the owner of the home by paying a predetermined amount based on the estimated fair market value of the home; or purchasing the home for its fair market value determined at the end of the lease term.

The group is comprised of attorneys very familiar with chattel finance; George Allen, CPM, community owner, national consultant to the manufactured housing industry, and publisher; Larry Mathews, president of American Commerce Bank; a credit bureau offering new reporting services for smaller community operators; and Spencer Roane, MHM, president of Pentagon Properties, Inc., community owner, and L-O proponent.

The benefits of an L-O program are many:

- Helps COs sell homes which increase cash flow, increase the value of communities, and upgrade communities
- Encourage the sale of new manufactured homes to COs
- Tremendous flexibility for structuring financial terms
- In permissible states and if properly structured, no lending licenses are required
- Sales people can negotiate lease terms with prospective customers
- Prospect of home ownership incents tenants to care for their home

- Gives tenants an opportunity to establish a credit history sufficient to qualify for a home loan and exercise the purchase option
- Rental payment incentives discourage delinquencies and help build equity

The group has identified about a dozen states where L-O programs are viable, and expects to add more to the list through the remainder of this year. Within the next few months the group will announce several venues where it expects to conduct workshops on the use of L-O. These workshops, aimed at smaller and mid-size community operators, will include forms and documentation, structure of L-O transactions, financing available, credit reporting services, and practical experience covering hundreds of transactions.

For more information, contact:

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