



# FINANCIAL DISCLOSURE STATEMENT

For Entering into a Lease-Option Sale

Prepared by: Agent \_\_\_\_\_  
Broker \_\_\_\_\_

Phone \_\_\_\_\_  
Email \_\_\_\_\_

**NOTE:** This disclosure form is used by an agent when preparing an offer or counteroffer to buy, sell, exchange or option a one-to-four unit residential property with the seller extending credit on a lease-option sales agreement, to prepare an addendum for disclosing the terms and conditions of the lease-option agreement.

**DATE:** \_\_\_\_\_, 20\_\_\_\_\_, at \_\_\_\_\_, California.  
*Items left blank or unchecked are not applicable.*

### FACTS:

1. This is an addendum to the following agreement:

- Offer for Lease-Option [See **RPI** Form 164]
- Lease-Option Contract for Deed [See **RPI** Form 163]

1.1 dated \_\_\_\_\_, 20\_\_\_\_\_

1.2 entered into by \_\_\_\_\_, as the Lessee/Optionee,

1.3 and \_\_\_\_\_, as the Lessor/Optionor,

1.4 regarding property referred to as \_\_\_\_\_.

### DISCLOSURES:

#### 2. GENERAL INFORMATION CONCERNING TERMS OF PAYMENT:

2.1 The purchase price is \$\_\_\_\_\_. The price to be credited for \$\_\_\_\_\_ of option money paid and for \_\_\_\_\_%, or \$\_\_\_\_\_, of each payment of base monthly rent.

2.2 The Lease-Option provides for a final/balloon payment on exercise of the option. Thus, the debt is not fully amortized. On exercise of the option, the availability of refinancing, modification or extension of the final/balloon payment cannot be assured. [See **RPI** Form 418-3]

2.3 Lessee/Optionee will make Lease-Option payments to \_\_\_\_\_, who will be responsible for remitting these funds to Payees under senior encumbrances.

**Notice:** Lessee and Lessor may wish to use a collection agent for the purpose of accepting Lessee's payments and disbursing payment to underlying lenders and Lessor.

2.4 This Lease-Option is subject to the following provision: "This Lease-Option is subject to section 2966 of the Civil Code, which provides that the holder of this instrument shall give written notice to the Lessee/Optionee, or his successor in interest, of prescribed information at least 90 and not more than 150 days before any final/balloon payment is due on exercise of the option." [See **RPI** Form 419]

2.5 The Lease-Option wraps an existing trust deed, and any costs incurred by Lessor/Optionor for prepayment penalties, late charges, due-on-sale or further encumbrance acceleration and future advances will be passed on to Lessee/Optionee as increased rent. [See **RPI** Form 163]

#### 3. SPECIAL PROVISIONS AND DISCLOSURES:

3.1  Lessor will be designated as loss payee under Lessee's hazard and fire insurance.

3.2 Requests for Notice of Default and Notice of Delinquency under California Civil Code sections 2924b and 2924e  will, or  will not, be recorded for notice to Lessee/Optionee on encumbrances senior to the Lease-Option. [See **RPI** Form 164 §7.4]

3.3 The Lease-Option is an unescrowed seller-financing transaction which is fully executed on delivery of the signed Lease-Option documents and possession.

3.4 The Lease-Option will not be recorded, which may cause Lessee/Optionee's title to the property to be impaired if liens are levied against the Lessor/Optionor.

3.5 Lessee/Optionee is advised to consider obtaining title insurance on their real estate interest created by the option.

3.6 No tax reporting service will be obtained. Lessee/Optionee will assure themselves that real estate taxes are paid by Lessor/Optionor during the option period.

3.7 Lessee/Optionee will receive no proceeds or cash back on execution of the Lease-Option.

3.8 Lessor/Optionor is aware their sole source of recovery on Lessee/Optionee's default is limited to the net proceeds in the event of foreclosure under the Lease-Option. [Calif. Code of Civil Procedure §580b]

**4. ENCUMBRANCES SENIOR TO THE LEASE-OPTION:**

4.1 The conditions of encumbrances with priority over the Lease-Option include:

	First loan	Second Loan
Original balance:	\$ _____	\$ _____
Current balance:	\$ _____	\$ _____
Interest rate:	_____ % <input type="checkbox"/> ARM	_____ % <input type="checkbox"/> ARM
	Type _____	Type _____
Monthly payments:	\$ _____	\$ _____
Due date:	_____, 20____	_____, 20____
Balloon payment	\$ _____	\$ _____
Current defaults:	\$ _____	\$ _____

4.2 If any of the senior encumbrances contain a due date for a final/balloon payment, it may be difficult or impossible to refinance, modify or extend the balloon payment in the mortgage marketplace.

**5. LESSEE/OPTIONEE CREDIT INFORMATION:**

- 5.1  Lessee/Optionee to hand Lessor/Optionor a completed credit application on acceptance [See RPI Form 302]; and
- 5.2 Lessor/Optionor may terminate this agreement within \_\_\_\_\_ days of acceptance by delivering to Lessee/Optionee or Lessee/Optionee's Broker a written Notice of Cancellation based on disapproval of Lessee/Optionee's credit. [See RPI Form 183]

**6. BROKER DISCLOSURES:**

- 6.1 Credit data is supplied by Lessee/Optionee. Broker knows of no falsity or omission concerning the Lessee/Optionee's credit information.
- 6.2 This statement and its contents, being statutorily required disclosures, do not limit Broker's duties to disclose other facts material to Lessee/Optionee or Lessor/Optionor.
- 6.3 This statement is an addendum to the agreement referenced at §1 and creates no rights to rescind the Lease-Option.
- 6.4 This statement was prepared by \_\_\_\_\_

**OTHER:**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

<p><b>Buyer's Broker:</b></p>  <p>By: _____</p> <p><b>I have received and read a copy of this statement.</b></p> <p>Date: _____, 20____</p>  <p>Lessee/Optionee: _____</p>  <p>Lessee/Optionee: _____</p>	<p><b>Seller's Broker:</b></p>  <p>By: _____</p> <p><b>I have received and read a copy of this statement.</b></p> <p>Date: _____, 20____</p>  <p>Lessor/Optionee: _____</p>  <p>Lessor/Optionee: _____</p>
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