

**TITLE 2: NATURAL RESOURCES**  
**DIVISION 4: LAND RESOURCES**

**§ 40305. Lease-to-Own Contract.**

NMHC is empowered to purchase or build, as well as incur debt to achieve same, residences which NMHC would own and lease under the program established herein.

(a) The lease-to-own contract shall contain:

(1) A lease of the residence, or in the case of cooperative housing units a sublease, for a term not to exceed five years;

(2) Provision for a rental payment not less than the sum of:

(A) An amount sufficient to pay the estimated property taxes and insurance on the residence, or in the case of a cooperative unit, the maintenance charges;

(B) The cost of routine maintenance of the residence unless the lease-to-own contract requires the tenant-purchaser to perform such maintenance at his/her expense;

(C) An amount sufficient to pay interest on the mortgage loan held by NMHC on the residence less the estimated earnings on the escrow fund provided in 2 CMC § 40306 which is allocable to such mortgage held by NMHC;

(D) An amount to be held in escrow, referred to as the "tenant-purchaser escrow," which, when accumulated over the period of the lease-to-own contract or no more than five years, will amount to a sum sufficient to pay the tenants-purchaser's required down payment under the lease-to-own contract plus the tenant-purchaser, including the seller's closing cost at the initial closing of the mortgage to the seller; and

(E) In the case of a condominium unit, common charges;

(3) Provisions obligating the tenant-purchaser to buy and the seller to sell the residence at the end of the lease term, which shall not exceed five years;

(A) If the tenant purchaser seeks to utilize any HUD grants for down payment and closing cost assistance, then tenant purchaser shall exercise the purchase option on or before three years.

(4) A provision that the default by the tenant-purchaser under the provision of the lease-to-own contract shall result in the forfeiture to the seller of all amount in the tenant-purchaser escrow; furthermore, the various escrow funds funded under the program should be residence specific, such that a default or other failure of the tenant to purchase the unit within five years allowed would result in the escrow being forfeited to NMHC;

(5) A provision that the tenant-purchaser shall have the option upon reasonable notice to the seller and NMHC to elect to close the purchase of the residence not earlier than one year from the date of execution of the lease-to-own contract;

(6) A provision that the rent shall be adjusted under the lease-to-own contract periodically to take account of changes in taxes, insurance, escrow earning, mortgage interest and other variables intended to be covered by the tenant's rental payments; and

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(7) A provision governing the consequences of default by each of the parties.

(b) The provisions of this chapter shall not apply to the tenancy of the tenant-purchaser under the lease-to-own contract from and after the purchase by NMHC of the mortgage loan on the residence so long as NMHC holds the mortgage loan. NMHC shall not sell the mortgage loan prior to the closing of the transfer of title to the tenant-purchaser or default by the tenant-purchaser under the lease-to-own contract.

(c) NMHC shall adopt procedures to ensure that the payments contemplated by subsection (a)(6) of this section are in fact applied to those purposes.

**Source:** PL 12-15, § 6, modified.

**Commission Comment:** Subsections designated in lower case roman numerals have been changed to numbers to comport to standard code formatting pursuant to the Commission's authority provided by 1 CMC § 3806.