# Comparison Chart

| | Lease-To-Own | Contract for Deed | Traditional Sale (With a Bank Mortgage Loan) |
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| **Time** | Will likely be long term, but there are short term lease-to-own farm leases. | Depends on the contract, but generally long term. | Short term; land transfers at time of sale. |
| **Ownership** | Owns only the right to purchase the land at the end of the lease. Some leases may have also include a purchase and sale agreement where the tenant agrees upfront to buy the land at the end of the lease. | Seller retains legal title until **all** payments are made under the contract for deed. | Buyer gains legal ownership at time of sale. |

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| **Ownership Interest** | Tenant may have the option to purchase or may make a firm agreement to purchase at the end of the lease term. | Buyer does not have a legal ownership interest until all payments are made. Depending on state law, the buyer may have an “equitable interest” in the property to the extent payments have been made under the contract. | Buyer gains ownership at time of sale.<br>However, the bank that provided the mortgage loan will generally use the land as collateral for the mortgage loan, and can foreclose if the buyer gets behind on the mortgage. |
| **Taxes** | Tax responsibility may vary depending on the landowner’s involvement in the operation, and the terms of the lease. | Generally, the buyer is required to pay property taxes, but the terms of the contract will determine tax obligations. | The buyer is responsible for property taxes. |
| **Startup Costs** | Leases typically require rental payments, so the farmer leasing the land needs funds to pay rent on a schedule agreed upon in the lease. | Installment payments are generally similar to those of a lease or mortgage loan; the contract for deed buyer needs funds to make regular payments. Payments are not necessarily monthly; they could be seasonal, quarterly, or any other schedule the parties agree upon. | Generally requires a down payment and regular monthly mortgage loan payments to the bank. |

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| **Interest Rates** | Generally no formal interest rate, but lease term may be set to provide the landowner with a profit (after paying any taxes, operating expenses, and mortgage expenses). | Generally higher than traditional bank interest rates to account for greater credit risk and buyer non-payment risk. | Determined by credit rating of mortgage loan applicant. Generally tied to federal reserve rates; may be variable over time. |
| **Cancellation Risks** | The leasing farmer may choose not to buy the farm, so the landowner farmer should have backup plans in case the landowner still owns the farm at the end of the lease period | If the contract has a **forfeiture clause**, the seller may have the right to cancel the contract and keep all of the buyer's previous payments. A buyer may protect his/herself from this result by including specific protective contract provisions. | The sale generally cannot be cancelled, but if the buyer fails to make mortgage payments the bank could repossess and sell the home via a foreclosure process. |
| **Back Up Plan** | The leasing farmer (tenant) may not choose to buy the farm, so the landowner farmer should have backup plans in case the landowner still owns the farm at the end of the lease period. The backup plan could be a new lease or an outright sale. | Buyers and sellers should consider including provisions in their contracts that address their rights and protections in the event of contract cancellation, non-payment or other breach. | In the event that a buyer cannot make mortgage loan payments, the property would likely be sold. |

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| **Legal Recourse/Protections** | Only those within the lease itself, and any state laws that regulate leases. | Some states provide specific protections for contract for deed buyers, and the contract itself can provide protections if properly drafted.<br>In the event of missed payments, some states provide buyers and sellers rights similar to traditional foreclosure protections. | State and federal laws regulate property sales, bank lending, and foreclosure. |