

WHAT IS A LEASE?

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A lease is a legally enforceable contract which defines the relationship between an owner, the lessor, and a renter, the lessee. A typical lease spells out all of the terms involved in a land or merchandise rental agreement, including the length of time a lessee may use it and what condition it must be in upon return to the lessor. The amount of payments and any financial penalties for late payments may also be included in a lease contract.

Most consumers encounter a lease when renting housing or leasing a car. A lease can be very short-term (a few weeks or months), or it can be extended for a number of years. Many small businesses and retail stores have lease agreements for 10 years or more, and renewal of the lease may just be a formality. Apartment renters, however, rarely sign a lease extending past one year of occupancy. Those who lease vehicles usually sign two-year agreements as opposed to five-year financing plans for buyers.

A lease agreement protects both the lessor and the lessee. The lessor knows that a legally binding contract obligates the renter to make regular payments throughout the life of the lease. The lessee knows that he or she has full rights to the property without fear of sudden seizure or eviction. A lease also guarantees that the original rental terms will not change until the lease has expired.

A lease arrangement does not always guarantee smooth sailing between landlord and tenant, however. Unlike a mortgage between a bank and homeowner, the lease between landlord and tenant can contain a number of restrictions. Renters and lessees are not owners, therefore the property is always subject to scrutiny by the landlord and/or titled owner. If certain conditions of the lease are violated, such as an unauthorized pet or a sanitation problem, the lessor can decide to terminate the lease.

Another consideration is the length of the lease itself. Some renters sign longer leases in order to reduce monthly payments, only to encounter a more appealing housing situation long before the end of the lease. A lease may allow lessees to legally break the terms if a new job is located 50 miles away or more, but in general the renter may have to honor the entire lease. Some lessees may find someone willing to continue the rental obligation without a lease--a practice called 'subletting'. Some landlords allow tenants under a lease to sublet, but it's not always a viable option.

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