

MODEL LEASE CLAUSE

Grant Termination Option to Tenant Awaiting Financing

Here's a termination option provision, drafted by New Jersey attorney Marc L. Ripp. You can add it to your leases with prospective tenants that are waiting for financing before signing their leases. Be sure to show this clause to your attorney before putting it into your leases.

TERMINATION OPTION

1. Tenant must apply immediately and in good faith to *[insert name of lender]* for a loan not to exceed \$*[insert amt.]*.
2. Tenant must immediately sign all documents requested by the lender and immediately provide complete, accurate, and detailed information to the lender.
3. Tenant must pay, in a timely manner, all application fees, points, and other costs associated with the loan application.
4. If Tenant receives an absolute and unconditional loan rejection letter signed by the lender and delivers to Landlord, within 30 days after the Lease is signed, both: (i) a true copy of that rejection letter, and (ii) a notice terminating the Lease, then the Lease will be terminated upon Landlord's receipt of both the loan rejection letter and the Lease termination notice.
5. If Tenant breaches the Lease before the 30-day period expires or if Tenant fails to abide by items 1, 2, 3, and 4 above, then Tenant forfeits the right to terminate the Lease.