

# CHAPTER 7

Figure 7.1

## ***Possible Housing for Different Life Situations***

Life Situation	Possible Housing Types
Young single	Rent an apartment or house because mobility is important and finances are low Buy a small home for tax advantages and possible increase in value
Single parent	Rent an apartment or house because time for maintenance is at a premium and playmates for children may be nearby Buy a home to build long-term financial security
Young couple, no children	Rent an apartment or house because mobility is important and finances are low Buy a home to build long-term financial security
Couple with children	Rent an apartment or house because time for maintenance is at a premium and playmates for children may be nearby Buy a house to build long-term financial security and to provide more space and privacy
Retired person	Rent an apartment or house to meet financial, social, and physical needs Buy a home that needs little maintenance, offers convenience, and provides different services

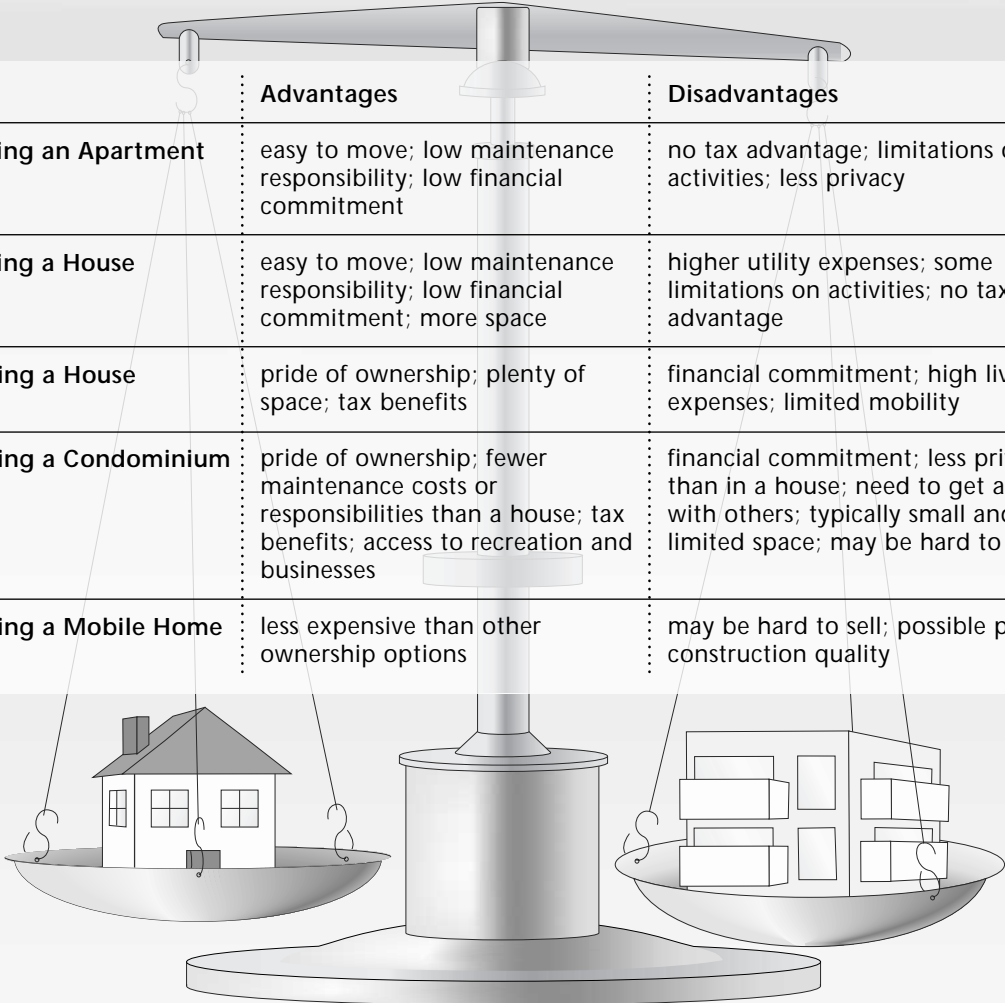
### RENT OR BUY?

Different life situations will require different housing choices. ***What might be a wise housing choice for a single parent? Explain your reasoning.***

# CHAPTER 7

Figure 7.2

## Evaluating Housing Alternatives



	Advantages	Disadvantages
<b>Renting an Apartment</b>	easy to move; low maintenance responsibility; low financial commitment	no tax advantage; limitations on activities; less privacy
<b>Renting a House</b>	easy to move; low maintenance responsibility; low financial commitment; more space	higher utility expenses; some limitations on activities; no tax advantage
<b>Owning a House</b>	pride of ownership; plenty of space; tax benefits	financial commitment; high living expenses; limited mobility
<b>Owning a Condominium</b>	pride of ownership; fewer maintenance costs or responsibilities than a house; tax benefits; access to recreation and businesses	financial commitment; less privacy than in a house; need to get along with others; typically small and limited space; may be hard to sell
<b>Owning a Mobile Home</b>	less expensive than other ownership options	may be hard to sell; possible poor construction quality

ON THE OTHER HAND

Choosing a type of housing is a decision that involves many trade-offs. *Find the three advantages or disadvantages on this list that seem most important to you right now.*

# CHAPTER 7

Figure 7.3

## ***What to Look for in Selecting an Apartment***

### **Location**

- Near school, work
- Near church, mosque, synagogue
- Near shopping
- Near public transportation
- Near recreation: parks, museums

### **Finances**

- Amount of monthly rent
- Amount of security deposit
- Cost of utilities
- Length of lease

### **Building**

- Condition of building and grounds
- Parking facilities
- Recreation on premises
- Security system
- Condition of hallways, stairs, and elevators
- Access to mailboxes

### **Layout and Facilities**

- Size and condition of unit
- Type and controls of heating and cooling systems
- Plumbing and water pressure
- Type and condition of appliances
- Condition of doors, locks, windows, closets, and floors

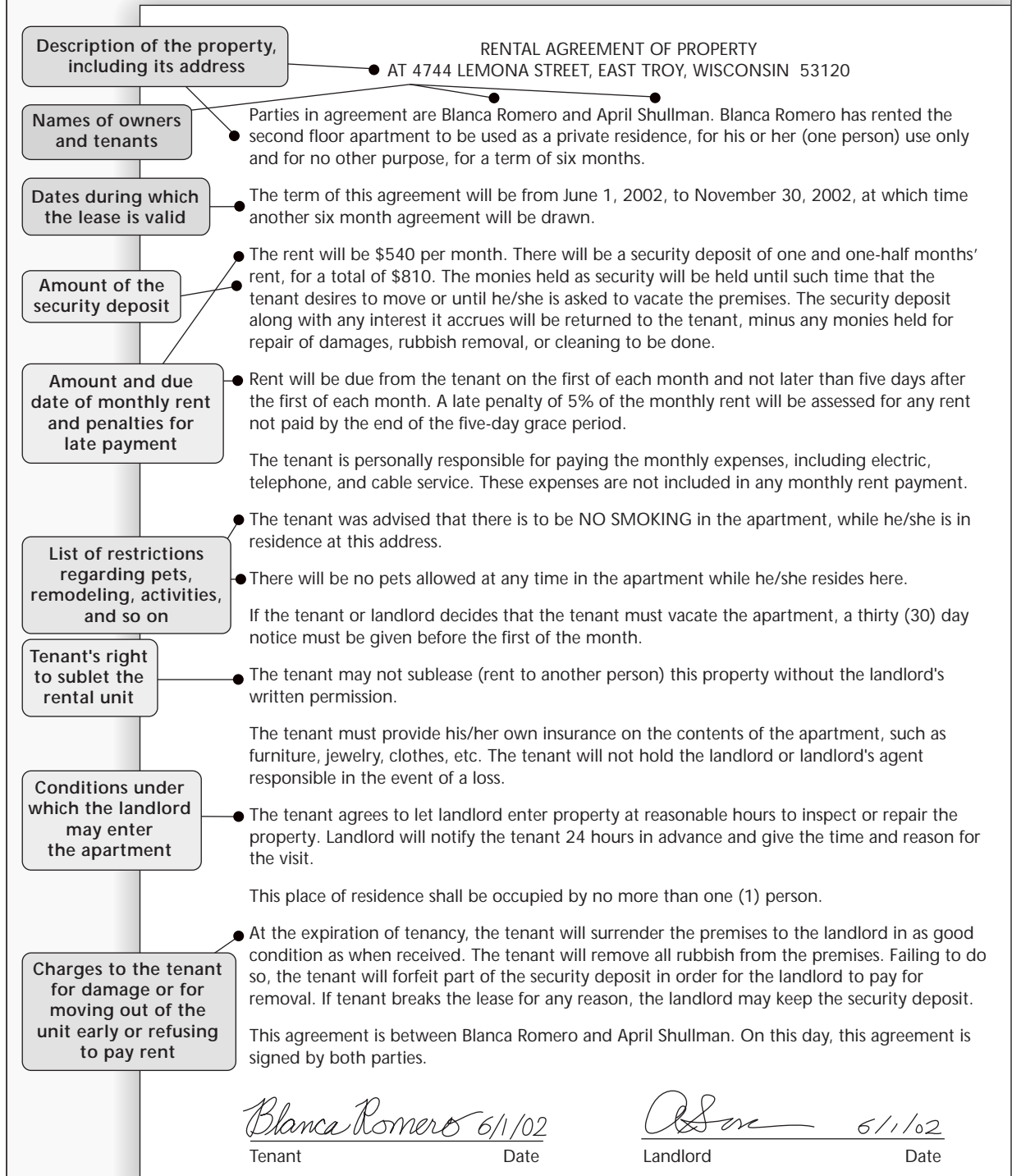
#### **ON YOUR OWN**

Many considerations go into renting an apartment. *Which of the four broad categories above would be most important to you right now?*

# CHAPTER 7

Figure 7.4

## A Typical Lease Agreement



### MAKING A DEAL

A lease is a legal document extending protection to both tenant and landlord.  
*Which components of a lease are likely to be most negotiable?*

# CHAPTER 7

Figure 7.5

## Finding and Living in Rental Housing

### Step 1: The Search

- Choose a location and a price that fit your needs.
- Compare costs and features among possible rental units.
- Talk to people who live in the apartment complex or the neighborhood where the units are located.

### Step 2: Before Signing a Lease

- Be sure that you understand and agree with all aspects of the lease.
- Note the condition of the rental unit in writing. Have the unit's owner sign it.

### Step 4: At the End of the Lease

- Leave the unit in at least as good condition as it was when you moved in.
- Tell your landlord where to send your refunded security deposit.
- Ask that any deductions from your deposit be explained in writing.

### Step 3: Living in Rental Property

- Keep the place in good, clean condition.
- Notify the owner of any necessary repairs.
- Respect the rights of neighbors.
- Obtain renter's insurance to protect personal belongings.

SEEING EYE TO EYE

Renting involves more than just finding a desirable apartment. *In what ways do these steps protect the rights of both tenant and landlord?*

Figure 7.7

## Common Closing Costs

Item	Cost Range	
	Buyer	Seller
Title search fee	\$ 50–\$150	–
Title insurance	\$100–\$600	\$100–\$600
Attorney's fee	\$ 50–\$700	\$ 50–\$700
Property survey	–	\$100–\$400
Appraisal fee	\$100–\$300	–
Recording fees	\$ 15–\$ 30	\$ 15–\$ 30
Credit report	\$ 25–\$ 75	–
Termite inspection	\$ 50–\$150	–
Lender's origination fee	1–3% of loan	–
Real estate agent's commission	–	5–7% of purchase price
Insurance, taxes, and interest	varies	–



COSTS ADD UP

Closing costs add to the expense of buying a home. *Assuming a loan amount of \$100,000 with \$3,500 due up front in insurance, taxes, and interest, about what could a buyer expect to pay in closing fees based on the figures in this chart?*

## CHAPTER 7

Figure 7.8

### *The Elements of Buying a Home*

It's important to consider the following when making a home purchase.

**Location.** Consider both the surrounding community and the geographic region. The same home may vary greatly in cost depending on where it's located: in Kansas or California, on a busy highway or a quiet street, in a leafy suburb or an urban neighborhood.

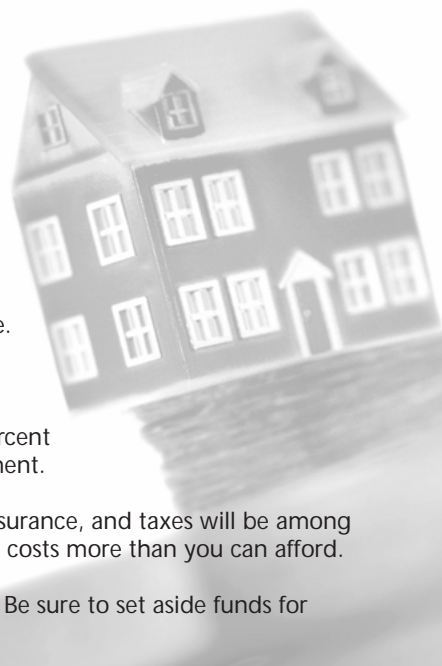
**Down Payment.** A large down payment reduces your mortgage costs, but how much can you afford to pay up front?

**Mortgage Rates and Points.** You'll have to choose between a lower mortgage rate with points and a higher mortgage rate without points. You'll also need to consider what type of mortgage to arrange. When you apply for the loan, be prepared to provide the lender with copies of your financial records and other relevant information.

**Closing Costs.** Settlement costs may range anywhere from 2 to 6 percent of the total amount you borrow. That's in addition to the down payment.

**Monthly Payments.** Your monthly payment for interest, principal, insurance, and taxes will be among your largest, most enduring expenses. Beware of buying a home that costs more than you can afford.

**Maintenance Costs.** Homes require a lot of repair and maintenance. Be sure to set aside funds for these necessities.



#### THINK IT OVER

Buying a home is a complicated process. *What are some possible results of not thinking through all the elements listed above?*

## Your Financial Portfolio

### Renting Versus Buying Your Place of Residence

Atul and Elena saved enough money to buy a house and they found one they like, but they need to consider how much it will actually cost to live there. The rent on their apartment is \$700 a month (\$8,400 a year) and the house costs \$85,000. In making their decision, they will need to consider any additional costs for maintaining a house as well as their lifestyle choices.

Atul and Elena's Dilemma	
<b>Rental Costs</b>	
Annual rent payments	\$8,400
Renter's insurance	170
<b>Total annual cost of renting</b>	<b>\$8,570</b>
<b>Buying Costs</b>	
Down payment (at 10%)	8,500
Annual mortgage payments	8,060
Property taxes (annual costs)	1,275
Mortgage insurance (annual premium)	536
Homeowners insurance (annual premium)	400
Estimated maintenance costs	850
<b>Financial benefits of home ownership</b>	
<i>Less:</i> Tax savings for mortgage interest	-1,820
<i>Less:</i> Tax savings for property taxes	-357
<b>Total cost of buying first year</b>	<b>\$17,444</b>
<i>Less:</i> one-time down payment	-8,500
Estimated annual appreciation (3%)*	-2,550
<b>Total long-term annual cost of buying</b>	<b>\$6,394</b>

\*Nationwide average; actual appreciation varies by geographic area and economic conditions.

Atul and Elena compared the annual costs of renting (\$8,570) and buying (\$6,394) and decided that it would be a good investment to buy the house.

**Compare** In your workbook or on a separate sheet of paper, compare renting versus buying your place of residence. Check a newspaper for a typical rental price for a two-bedroom apartment and a typical selling price for a two-bedroom house. Use those figures to complete your comparison.