Chapter 7 – The Finances of Housing

I-Summary

This chapter teaches you the difference between renting and owning your residence as well as the basics of how to buy and sell a home.

Renting tends to be less expensive than buying and offers more flexibility. However, home ownership offers stability, financial benefits, and increased value over time.

The advantages of renting include mobility, few maintenance responsibilities, and relatively low initial costs. The disadvantages include rent increases, few tax benefits, and restricted activities.

The total cost of renting is affected by several factors, such as the neighborhood, the amount of space you are renting, the monthly rent, the security deposit you will put down, and the monthly premiums for any renters insurance you decide to buy.

There are many advantages to owning your residence including greater stability, having an opportunity for your individual expression, tax benefits, and the potential for increased value. But there are also disadvantages in ownership, such as financial risk, the possibility of the home's value not increasing, more limited mobility, and higher expenses than renting.

Be thorough when evaluating property you are considering for purchase. This includes walking through the neighborhood, carefully checking the home's exterior and interior, and getting a home inspection.

In order to buy a home, a down payment is required. Then the buyer must get a long-term loan, or mortgage, to pay for the remaining purchase price. Closing costs must also be paid.

If you decide to sell your home, the first thing you must do is decide whether to use a real estate agent. The next step is to prepare the home for sale, set a fair price, and always keep the home neat and clean so it will appeal to potential buyers.

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I-Quiz

1. What type of insurance covers the loss of tenants' personal property due to damage or theft?

- **A.** residence insurance
- **B.** renters insurance
- **C.** tenants insurance

2. What is a long-term loan given for the purpose of buying a property?

- **A.** a secured loan
- **B.** a mortgage
- **C.** a home equity loan

3. To whom does the bank pay the full amount of a mortgage?

- **A.** to the buyer
- **B.** to the seller
- **C.** to an escrow account

4. What does the listing price of a home for sale mean?

- **A.** the amount asked by the owner
- **B.** the amount the buyer offers
- **C.** the amount the buyer borrows

5. What is the term for the value of a home less the amount owed on it?

- **A.** equity
- **B.** mortgage
- **C.** appraised value

Answer Key

1. B
2. B
3. B
4. A
5. A