

Housing is the largest expense.

Approximately $\frac{1}{3}$ of a person's budget is spent on housing

Reasons for making housing decisions include

1. Personal and Financial Goals
2. Personal values, needs, and wants
3. Amount of money available for housing cost
4. Financial resources and readiness
5. Credit History
6. Real Estate Prices
7. Location Preferences
8. Expected length of stay in a particular place

List 4 costs of renting

1. Monthly Rent
2. Security Deposit
3. Utilities- electricity, water, garbage, etc
4. Renter's Insurance

Lease - legal contract between the tenant and the landlord, specifying the responsibilities and rights of both parties.

- Identifies the rent amount, security deposit amount and specifications, payment for utility bills, late payment penalties, length of lease, eviction terms, etc.

Landlord - owner of the rental property; may perform management duties or hire a property manager.

- Property Manager: may charge a fee to the landlord to perform the management task.
 - Duties may include:
 - May collect rent and deposits, pay utility bills, complete repairs and maintenance, assign new tenants, etc.

Tenant - the person who rents the property; renters are usually:

- people who choose not to own a home
- people who cannot afford to own a home

- The tenant pays rent to the landlord which allows them to live in the rental property

Rent - the cost of living in someone else's property

Security Deposit - an advance payment to cover anything beyond normal wear and tear on the unit.

- Upon moving into a new place, people are usually required to pay a security deposit and sign a lease

List advantages of renting

1. Low move-in costs
2. Fixed monthly expenses
3. Easy to move
4. Location choices
5. Less maintenance and repair work
6. Fewer responsibilities
7. May offer extra amenities such as a tennis court or pool
8. Typically less expensive than a home ownership
9. May be able to save for other wants it needs if renting a less expensive apartment
10. Other expenses may be included in rent payment such as electricity, water, sewer, and/or garbage.

List disadvantages of renting

1. Subject to term of a lease
2. Rent may change with little notice
3. Less privacy and transient neighbors
- 4.
5. Restrictions on noise levels, pets, etc
6. Fewer opportunities such as new carpet, paint, or wallpaper
7. When leaving a property, no equity is returned as it would be if selling a home
8. No tax deductions
9. May lose rental if the property is sold

OWNING

Costs of Owning

1. Monthly mortgage payments

2. Down payment
3. Closing costs
4. Utilities
5. Homeowner's insurance
6. Real estate property taxes
7. Maintenance

Home Ownership - the buyer has purchased a housing unit as property

- goal of many Americans
- a large financial decision

Equity - Owning a home is an investment because if a person sells a home for more than what it was bought for

Collateral - an item promised to the lender if the borrower does not pay back the loan

What percentage of the purchase price is a down payment typically?

10%-20%

What is the recommended purchase price an individual should pay for a home?

2 1/2 times their annual household income

List 3 advantages of home ownership

1. Build equity
2. Pride of ownership
3. Feel more comfortable and have more privacy
4. Stable mortgage payments
5. More room and storage
6. Improvement of buyer's credit rating
7. Income tax deductions for property taxes and mortgage interest
8. Potential for property to increase in value
9. Free to make home improvements and have pets

List disadvantages of home ownership

1. Large downpayment
2. Move in costs
3. Insurance costs
4. Possible for property to decrease in value

5. Time, money, and energy
6. Repair and maintenance costs
7. Property taxes can raise substantially
8. MOney is tied up in the home