

Buying or Renting a Home



Objective

In this lesson, you will

Rent or Buy?

Advantages of Buying	Disadvantages of Buying
<ul style="list-style-type: none"> You _____ your property. The _____ of the property may increase. You can _____ or decorate your house as you wish. 	<ul style="list-style-type: none"> You are responsible for _____. You pay _____ up-front costs. You need to make a large down _____. You pay property _____ and homeowners insurance. Buying may not be _____-effective.



Advantages of Renting	Disadvantages of Renting
<ul style="list-style-type: none"> Your landlord is responsible for repairs. You pay _____ up-front costs. Paying rent on time helps you build a good _____. Better, if you don't plan to stay _____. You can have roommates to share costs. 	<ul style="list-style-type: none"> Your monthly rent payments don't build any _____. You cannot improve or _____ your house as you wish. You may not be able to keep _____.

The Search for a Place to Live

Factors that house hunters need to consider.

Finding the Right Location

- Type of _____
- _____ to transportation
- Proximity to _____, entertainment, and eateries

Determining the Price or Rent

- Determining what you can _____

Getting Professional Help

- Using a _____ or an apartment broker

Closing the Deal

- _____ on the house
- Signing the _____

Up-front Money

Buyers of a home or renters of an apartment may have to pay one-time, or up-front, costs.


Home Transaction

A mortgage is a home _____ in which the _____ is put up as collateral.

Up-front Costs for Buying a House	Explanation
<i>hand, or earnest money</i>	You pay a _____ to the _____ to show that you intend to complete the transaction.
	You pay the lender a _____ of the purchase price in _____. When buying a home for \$200,000, the Carlsons pay \$20,000, or 10 percent, of the purchase price.
	You pay closing costs when you _____ the purchase. <ul style="list-style-type: none">• fees paid to note the transfer of property in _____• fees paid to make sure that the _____ belongs the seller
	Lenders charge _____ for processing your loan _____ and doing a credit check.
<i>real-estate agent commissions</i>	Realtor commissions are built into the _____ of the home.
<i>Inspection, appraisal, and survey fees</i>	These are fees for doing various _____ on the house.

Apartment Transaction

The up-front costs for renting an apartment are much _____ higher than those for buying a house.

Up-front Costs for Renting an Apartment	Explanation
background or credit check	The cost of checking your credit _____.
 security deposit	Most leases require you to pay some money in advance to protect your landlord against _____.
damage deposit	Some landlords ask for an advance payment to protect the landlord against _____ to the property.
special deposit	You may have to pay a special deposit to keep your _____ in the apartment.

Utilities and Other Monthly Costs

Insurance

Renters have to obtain insurance only for their own _____.

The owners of the rental property pay the rest of the insurance and other costs:

- Private mortgage insurance (_____) protects the lender from financial loss in the event of default.
- Title insurance provides _____ insurance due to defects in the property's title.
- Homeowners insurance covers _____ homes, such as losses occurring to the home, its contents, or possessions. It also provides _____ insurance for accidents.
- Property owners need to pay _____ based on the value of the property.

Utilities

Utilities are organizations that maintain the infrastructure for _____ services, and the term also refers to the services themselves: electricity, natural _____, water, and _____.

Association Fees for Homeowners or Renters

A homeowners or renters association is an organization that _____ shared property.

The money you pay is held in common to pay for expenses incurred in the public areas of the community:

- landscaping
- _____ home repairs
- snow and _____ removal, etc.

Homeowners who don't have a homeowners association _____ of these costs themselves.

Inspections, Appraisals, and Surveys

Home Inspection	Survey	Appraisals
<ul style="list-style-type: none"> • a noninvasive examination of the condition of a _____ • looks for general maintenance issues, improper building practices, ordinance violations, and items requiring extensive repairs • protects the _____ by revealing any structural or maintenance issues • required by _____ companies 	<ul style="list-style-type: none"> • provides accurate measurements of a property by determining the correct _____ lines • ensures the land is correctly measured and defined for _____ with local government offices 	<ul style="list-style-type: none"> • real-estate appraisal, property valuation, or land valuation gives an idea of the _____ value of property • may differ from the _____ appraisal value and the sale price. • done by a _____ or certified appraiser

Your Budget

Once you have calculated the one-time and monthly _____ that go into buying or renting a home, you can use a home affordability calculator to find out how much home you can _____. Be sure to consider yearly income and total monthly debt.

Summary

Imagine you are deciding between two apartments to rent. Apartment A has a great view despite being far from shopping, moderate monthly cost, but a high security deposit. Apartment B is close to school and shopping, high monthly cost, but low up-front cost. Which apartment would you chose and why?