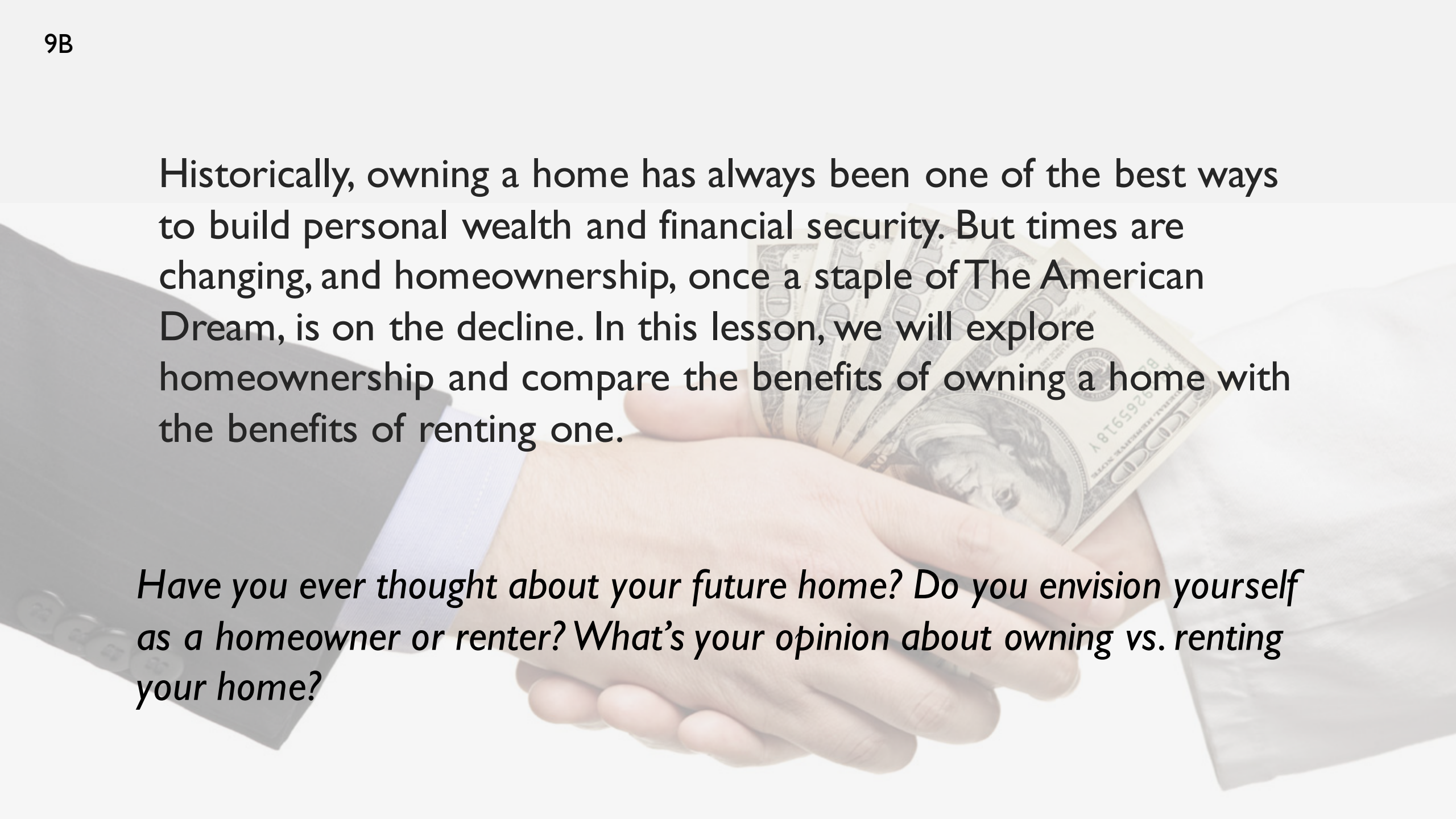


HOME IS WHERE THE
MORTGAGE OR LEASE IS


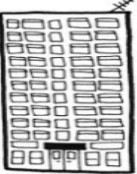
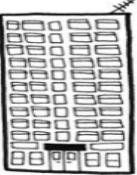



Lesson 9



Historically, owning a home has always been one of the best ways to build personal wealth and financial security. But times are changing, and homeownership, once a staple of The American Dream, is on the decline. In this lesson, we will explore homeownership and compare the benefits of owning a home with the benefits of renting one.

Have you ever thought about your future home? Do you envision yourself as a homeowner or renter? What's your opinion about owning vs. renting your home?

I. BUYING A HOME

Type of Housing	Details	
Single family home	<ul style="list-style-type: none"> • free standing building intended as a dwelling for one family which sits on its own lot • the owner of the home owns the structure <i>and</i> the land • also called a Single Family Residence or “SFR” 	
Condominium	<ul style="list-style-type: none"> • also called a “condo” • a single unit within a larger building of multiple units, each of which is separately owned • common areas of the condominium property, such as the grounds and building structure, are owned jointly by all of the unit owners 	
Cooperative (co-op)	<ul style="list-style-type: none"> • similar to a condo in terms of the living arrangement • each homeowner is a partial owner of the entire building, along with the other owners but with a right to occupy their designated unit 	
Townhouses	<ul style="list-style-type: none"> • individual houses that are placed side-by-side • one or two walls of each house are shared between adjacent homes 	
Mobile homes	<ul style="list-style-type: none"> • also called a manufactured home • a pre-fabricated moveable structure • must have a toilet, a place to sleep, and a place to cook, to receive mortgage deduction tax benefit 	
Multifamily housing	<ul style="list-style-type: none"> • building designed to house more than one family in separate units • owner of the building may live in one of the units and rent out the others 	

II. THE HOME LOAN

1. Home Loan.

- ❖ Fixed-rate Mortgages

- ❖ Adjustable Rate Mortgages (ARM)

2. Qualifying for a Mortgage

3. Security Interest.

III. THE FINANCIAL BENEFITS AND CHALLENGES OF HOMEOWNERSHIP

- Building Wealth.
- Appreciation.
- The Mortgage Deduction.
- Lifetime Security.
- Financial Stability.

IV. RENTING A HOME

- **The Rental Process:**
 1. Finding the Right Home.
 2. The Rental Application.
 3. Lease vs. Rental Agreement.
- **Costs:**
 1. Rent + Utilities
 2. Security deposit.
 3. Renter's Insurance.

V. RENT VS. BUY?

- Cost Over Time.
- *Should you buy or rent your home?*
- Renting always starts out as the cheaper option since move in costs (first month's rent, plus a security and cleaning deposit) are invariably cheaper than a down payment.
- After a few years, however, renting often becomes the more expensive option. Housing costs vary around the nation, so exactly when on the rental timeline this happens also varies.
- There are plenty of online rent vs. buy calculators to help you determine at what point renting becomes more expensive than buying, and which is the best financial option for you.

THE BIG PICTURE

- There are many different styles of homes. Deciding whether to buy or rent is one of the biggest financial decisions most people make in their lifetime. Most people have to borrow money to buy a home. A home loan is secured by a mortgage or deed of trust. Historically, homeownership has been one of the best ways to build wealth and financial security because of the ability to build equity through amortization and appreciation. Homeownership costs more upfront and there is also a risk that the value of a home can depreciate. Renting is cheaper upfront, but offers comparable wealth-building potential only if the renter invests an amount equal to a down payment plus what they save each month by renting. Renters should read their lease or rental agreement carefully before signing, make a detailed physical inspection of the property, and buy tenant insurance. A rent vs. buy calculator helps determine at what point in time renting becomes more expensive than buying.

PONDER & PREDICT

- Life spans are increasing. You may very well live into your late 80s. Will you have to work until you drop? What can you do to assure that you will be able to retire at a reasonable age, and that you will have enough money to live comfortably in your golden years?