

TO RENT OR BUY?

HERE'S HOW TO ANALYZE YOUR SITUATION

Many factors enter into a 'rent versus buy' decision. Beyond the economic consideration are issues related to a particular market, future relocation possibilities, personal desires of home ownership and more.

As you embark on your relocation to a new city, you will have the opportunity to weigh both living options. Your agent can offer assistance as you seek additional information. The agent can put you in touch with a loan officer to determine your mortgage qualification range. This will assist you in making an informed decision about renting or buying.

When you compare the costs of renting versus owning your own home, the biggest differences involve tax considerations. Both mortgage interest and property taxes are currently deductible in all 50 states. Use this worksheet to compare the costs of owning a prospective home in your price range to the cost of renting a particular property. Please note this is just a framework of what to compare; you should talk through the math in greater detail with a mortgage lender. Because tax laws and rates change periodically, you need to check on your current tax situation when making such comparisons.

| | | MONTHLY COSTS | MONTHLY COSTS RENTAL |
|--|--------------|-----------------|----------------------|
| | | HOME OWNERSHIP | |
| EXAMPLE | | YOUR COMPARISON | YOUR COMPARISON |
| Mortgage Amount | \$150,000 | _____ | _____ |
| Interest Rate | 8% | _____ | _____ |
| Monthly Payment | | | |
| =principle | 63.74 | _____ | _____ |
| + interest | 633.33 | _____ | _____ |
| + prop. Tax | 125.00 | _____ | _____ |
| + insurance | <u>30.00</u> | _____ | _____ |
| | \$852.07 | _____ | _____ |
| Monthly Deduction | | | |
| = Interest | | _____ | _____ |
| + property tax | 758.33 | _____ | _____ |
| X tax bracket | .28 (28%) | _____ | _____ |
| = monthly tax saving | \$212.33 | _____ | _____ |
| <i>*This is just a sample tax bracket, please use your own tax bracket for your analysis</i> | | | |
| Real Monthly Cost | | | |
| = monthly payment | 852.07 | _____ | _____ |
| - tax saving | 212.33 | _____ | _____ |
| • principle red | <u>63.74</u> | _____ | _____ |
| | \$576.00 | | |

Please Note: This example does not reflect any gain or loss due to appreciation or depreciation of the sample home, nor does it factor in any potential rental credit which could affect rental costs. Again, this framework is a strong starting point, and can be further customized to your situation with the help of a mortgage leader.

