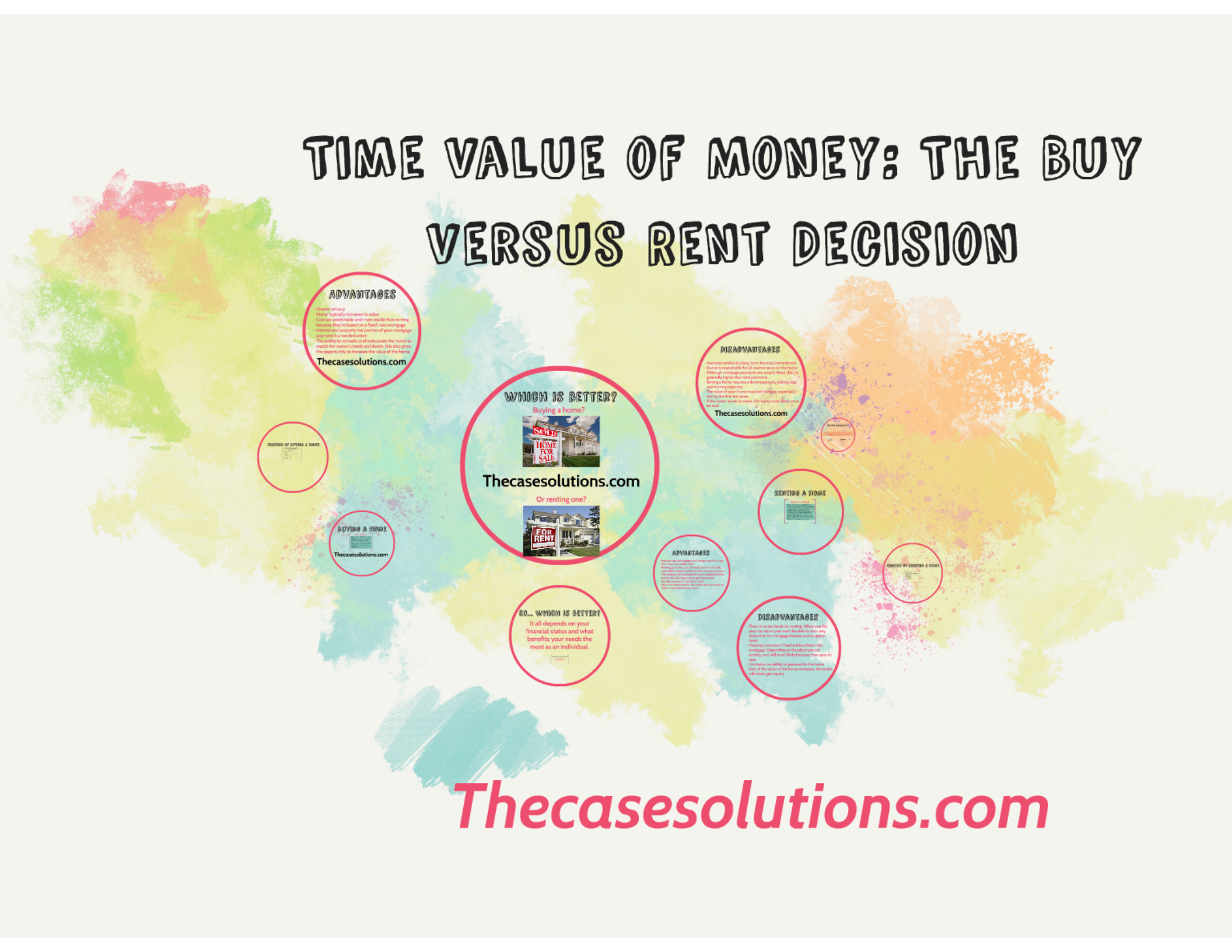
TIME VALUE OF MONEY: THE BUY VERSUS RENT DECISION



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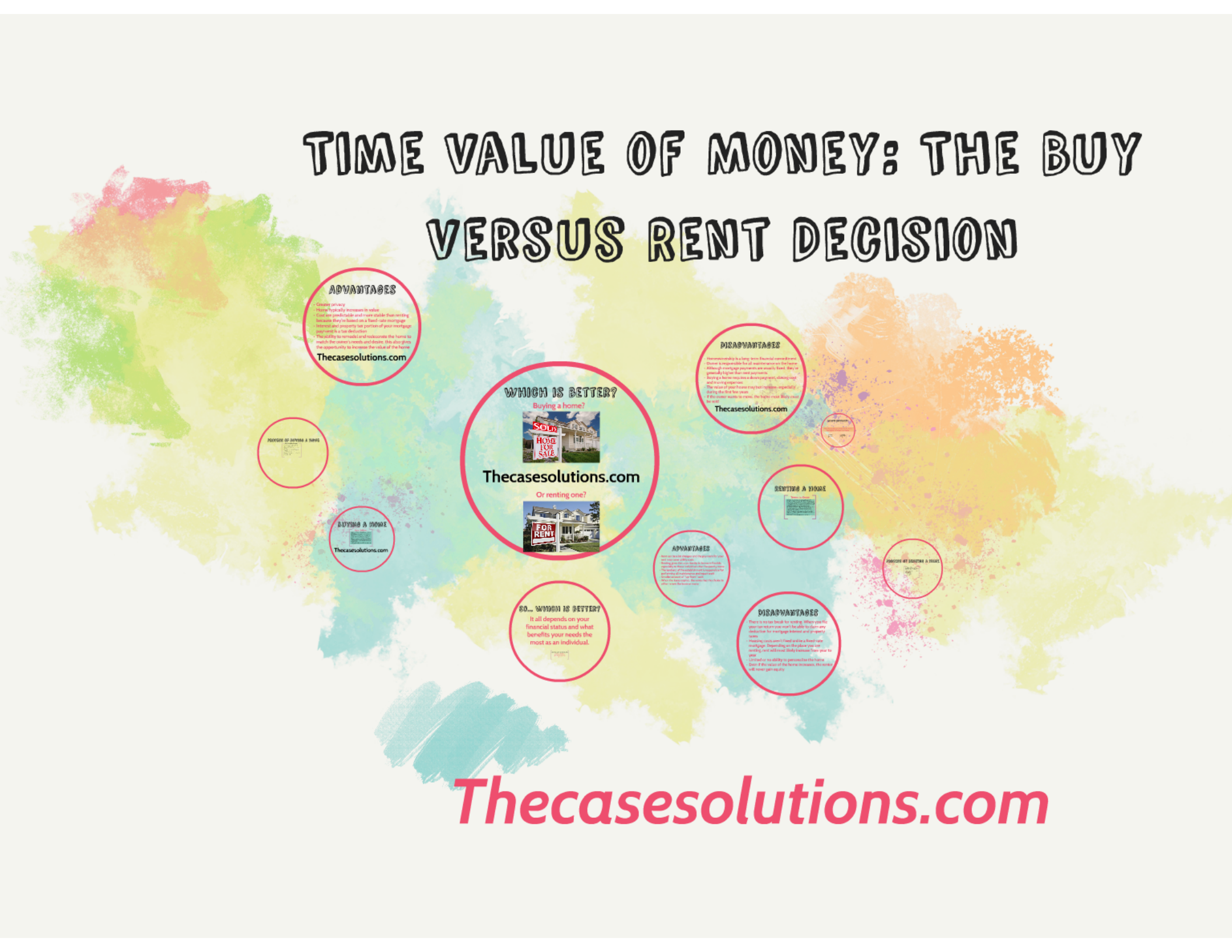

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WHICH IS BETTER?

Buying a home?

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Or renting one?

ADVANTA

- Rent can be a lot cheaper and
  rent may cover utility costs
- Renting gives the opportunity

BUYING A HOME

Terms To Know

- **Appraisal** - *an estimate of the value of the property, made by a qualified professional called an "appraiser." An appraisal is required by your bank to determine how much money it will lend you*
- **Binder** - *a preliminary agreement, secured by an earnest money deposit, through which the buyer offers to purchase the home*
- **Closing costs** - *expenses incurred by buyers and sellers in transferring ownership of a property. These may include an origination fee, taxes, the costs of obtaining title insurance, transfer fees, etc. They can often total several, or many, thousands of dollars*
- **Contingency** - *a specified condition that must be met before a contract is legally binding. The two most common contingencies in home purchasing are that 1) the house must pass the home inspection, and 2) the borrower must get the loan*
- **Escrow** - *Funds that are set aside and held in trust, usually for payment of taxes and insurance on real property.*
- **Homebuyer** - *a person who buys or expects to buy a house*
- **Mortgage** - *a legal contract that is registered against the title to a property in order to guarantee that a loan will be repaid.*

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- Research on potential real estate listing and note the particular homes you're interested in. List all your must haves' and wants for your home
- Determine how much money you have and homes you can afford.
- Get prequalified and preapproved for your mortgage
- Find the right real estate agent that can provide you with helpful information
- Shop for your home and make an offer
- Get a home inspection
- Work with a discover mortgage banker to select your loan
- Have the home appraised
- Coordinate the paperwork
- Close the sale

ADVANTAGES

- Greater privacy
- Home typically increases in value
- Cost are predictable and more stable than renting because they're based on a fixed-rate mortgage
- Interest and property tax portion of your mortgage payment is a tax deduction
- The ability to remodel and redecorate the home to match the owner's needs and desire, this also gives the opportunity to increase the value of the home

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DISADVANTAGES

- Homeownership is a long-term financial commitment
- Owner is responsible for all maintenance on the home
- Although mortgage payments are usually fixed, they're generally higher than rent payments
- Buying a home requires a down payment, closing cost and moving expenses
- The value of your house may not increase- especially during the first few years
- If the owner wants to move, the home most likely must be sold

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Real Estate Agent

It all starts with your real estate agent. Often, the best way to find an agent is through word of mouth. Real estate agents will help with negotiations and paperwork if you are buying a home. Plus, when buying a home, you have the added benefit that your agent's commission is typically paid by the seller, not you.

Home Inspector

Once you have chosen your new house, the next step is to find a qualified inspector. While home inspection is mandatory for few types of mortgages, it is recommended to be done even if it is not part of the requirement. It may provide you with some beneficial information about the home you are purchasing. The purpose of the inspection is to give you an evaluation of the mechanical and structural condition of the home. The inspection should include an evaluation of the following:

- *Major systems (heating, air conditioning, plumbing and electrical)*
- *Foundation*
- *Roof*
- *Windows and doors*
- *Floors, walls and ceilings, etc.*

Real Estate Attorneys

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Having a legal professional represent you is a good option. Make sure the attorney you choose specializes in Real Estate transactions. Your attorney will help you understand your legal rights on a Contract of Sale and negotiate terms such as a Mortgage Contingency for situations like inability to get financing, get your down payment back, or get the seller to fix certain items prior to closing.

Closing agent

Aside from the certified checks and proof of insurance, the closing agent or attorney will represent your interests and ensure that you understand your contract and your mortgage.