

Buying a Home

Owning a home has long been a part of the American dream. It's a goal that many Americans have already achieved. According to recent statistics from the U. S. Census Bureau, 67.8% of all households in the United States live in owner occupied housing.¹

Although the process of buying a home is often complex and confusing, it can be made more understandable by dividing it into several parts:

Renting vs. Home Ownership

There are advantages and disadvantages to both renting and buying a home:

	Advantages	Disadvantages
Renting	<p>Mobility - Renter can move without having to worry about selling the home or the home's market value at time of sale.</p> <p>Initial cost - No need for large down payment.</p> <p>Monthly cost - Monthly rent usually less than mortgage payment; in some areas rents are controlled; other opportunities may provide greater investment return.</p> <p>Maintenance - Few or no maintenance responsibilities.</p>	<p>Monthly cost - Rents can increase over time.</p> <p>Equity - Renter builds no equity in home.</p> <p>Space - Often less floor space.</p> <p>Personalization - Less freedom to decorate the home.</p> <p>Taxes² - No deduction for rent payments.</p>
Buying	<p>Monthly cost - With a fixed rate mortgage, monthly payments remain level; with a variable rate mortgage, monthly payments can increase or decrease.</p> <p>Equity - Homeowner can build substantial equity over time.</p> <p>Space - Typically larger floor space than with a rented home.</p> <p>Personalization - Can usually decorate to make home reflect owner's tastes.</p> <p>Taxes² - Interest and property taxes are usually deductible.</p>	<p>Mobility - Ownership limits ability to move; homeowner must be concerned with selling the home as well as the home's market value at time of sale.</p> <p>Initial cost - Substantial cash usually needed for down payment and closing costs.</p> <p>Monthly cost - Monthly mortgage payment typically higher than monthly rent; other opportunities may provide greater investment return.</p> <p>Maintenance - Homeowner is usually responsible for all maintenance and repairs.</p>

¹ Taken from Statistical Abstract of the United States: 2002. See Report No. 940 - Homeownership Rates, by State: 1985 to 2001.

² Based on federal law. State law may vary.