Buying a House:  
Buy or Rent?

**Assignment Details**

**Due Date:** 5.05.21

**Assignment:** Classwork

**Value:** 10pts

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| **Do Now:** Think you know what you need to buy a home? Take the quiz below to find out your home buying IQ.   |  | | --- | | **TRUE or FALSE:** Lenders require all buyers to purchase private mortgage insurance (PMI). FALSE  **TRUE or FALSE:** Closing costs are negotiable and can vary by bank and lender. TRUE  **TRUE or FALSE:** The purpose of an appraisal is to help the buyer determine if the home is in good condition. TRUE  **TRUE or FALSE:** Buyers typically have the option whether or not to buy homeowner's insurance. TRUE  **TRUE or FALSE:** A buyer has the right to back out of a sales contract if the appraisal comes in lower than purchase price, if the buyer cannot get a mortgage, or if the home doesn't pass inspection. TRUE  **TRUE or FALSE:** A home's value typically appreciates at 7 percent per year. FALSE  **TRUE or FALSE:** A buyer officially owns the home after the purchase contract is signed. TRUE  **TRUE or FALSE:** Your only upfront cost is the down payment. FALSE  **TRUE or FALSE:** You can’t qualify for a mortgage if you’re still paying off student loans. FALSE  **TRUE or FALSE:** Real Estate agents are expensive. TRUE |   **Step 1: Introduction**   |  |  | | --- | --- | | **As we view the** [**video**](https://www.youtube.com/watch?v=g6MkzsDuvgA)**, take notes on the sections below.** | | | **Can you really afford it?** | * Depending on your income and location if the price of renting is lower than the cost of buying ten rent and if vice versa then buy. | | **Is it cheaper to rent than to buy?** | * Depends how much it cost to rent, buy if it’s cheaper to rent then rent if it is cheaper to buy then buy? | | **Rent if you are still earning and learning.** | * If you have just graduated or just started your career then its advisable to rent because you are still learning and earning. You also need to be flexible at this point. | | **Buy if you’re stable and established.** | * If you are stable and established its advisable to buy because then you need to settle and you are able enough to buy a house with at least 20% of your net worth. | | **Buy if you’re financially successful.** | * If you are financially wealthy then one can buy a house because you can afford it. |   **Step 2: Source Analysis**   |  |  |  | | --- | --- | --- | | **Read and annotate** [**the source**](https://docs.google.com/document/d/1-g6KOs2OFek7BieO7PssLWQe-C2ARfl_QnXBFQPchyg/edit?usp=sharing) **below to help summarize the following sections.** | | | | **The true cost of homeownership is higher than many anticipate.** | **Renting might cost less, even over the long term.** | **Calculating whether it makes more sense to rent or buy is easier than most people realize**. | | * There are other expenses to consider like one-time (non-equity) home ownership which is 6-12% of home value and the annual on going home ownership cost | * One must look at the overall cost of renting and comparing it to amount overall of buying the house. If one owns a house for a short time then the cost of resale may not have increased and may cause the owner to incurre loses. | * The more accurate your assumptions the more accurate your results will be. * It could be hard to predict whether you will own a house long term or short term and if its value will go up or reduce. so, one must be wise to chose whether to invest in buying or just rent for the mean time. |   **Step 3: Closing**  **Directions:** Respond to the question below using evidence from today’s lesson.  **Do you think buying or renting is the smarter choice? Explain.**   |  | | --- | | **There are various factors to consider before selecting whether to buy or rent is a smarter choice for one. Once you put all these factors like your income, your area of stay, the overall cost of renting or buying, and your financial stability at the moment in time, into consideration, then one can make the smarter choice to rent or to buy .** | |