



Renting vs. Owning a Home

If you buy a house for \$244,950 with a total mortgage amount of \$195,960, your house payment will be \$1,455

When you rent, not only do you lose out on the tax benefits of owning a home, but your rent will very likely increase year by year. On the other hand, if you own your home, you have the option of a fixed mortgage payment. Even with potential changes for property taxes, hazard insurance or ARM rates, your total house payments can be reasonably projected. Even if you start by paying more per month on a house payment, as time goes buy and rents increase, the extra cost will reverse and you will be paying less each month.

The projections below are based on an annual rent increase of 5%. They also represent an estimate of your house payment minus \$115/month, the Federal Tax savings that you get from buying this home. State Taxes may be an additional benefit not shown. Changes in APR rates for ARM's, changes in property taxes or hazard insurance cannot be predicted or projected.

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20	Year 25	Year 30
Rent	1,575	1,654	1,736	1,823	1,914	2,393	2,991	3,739	4,674	5,842
Net HP	1,335	1,333	1,332	1,333	1,337	1,352	1,379	1,413	1,441	1,455
Extra/mo	-\$240	-\$321	-\$404	-\$490	-\$578	-\$1,041	-\$1,612	-\$2,326	-\$3,232	-\$4,388

The next consideration in your decision to rent or own is the fact that when you rent, not only does your monthly housing cost increase, you you have no appreciation of value. As the value of your home increases, and loan balance decreases, your equity builds up. The estimates below are based on an appreciation rate of 5%/year and normal amortization of your 30 year loan.

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20	Year 25	Year 30
Value	257,198	270,057	283,560	297,738	312,625	390,781	488,477	610,596	763,245	954,056
1st Mtg	193,380	190,651	187,764	184,711	181,481	162,313	136,935	103,339	58,860	0
Equity	\$63,818	\$79,407	\$95,796	\$113,028	\$131,144	\$228,469	\$351,541	\$507,257	\$704,385	\$954,056

None of the information above is intended to be an exact quote of interest rates. It is also not meant to be a prediction of the future. It does, however, represent reasonable projections based on the history of home values, annual increases in rent and income tax laws. While nothing in life is guaranteed, buying a home can be an excellent investment.

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