

RENT VS. BUY ANALYSIS

ASSUMPTIONS

Both Monthly Rent and Monthly Mortgage Payments are equal at \$1,000 per month. On the Purchase side of the comparison, \$1,000 is the total payment on \$160,000 Home Purchase. Any tax savings*on Interest, Real Estate Taxes or Private Mortgage Insurance will be applied to funding Maintenance on the home you purchased. Purchaser put 3.5% down payment, financing through a FHA Mortgage of \$155,944 at 4% including \$1,544 upfront financed PMI and Seller paying \$4,053 in Prepaid Expenses and Closing Costs. (There are Down Payment Assistance Programs available). **Renters may also need Renter's Insurance.**

R E N T	Rent \$1,000	vs.	B U Y	Principal	\$223	
				Interest	517*	517
				R. E. Taxes	150*	150
				Hazard Insurance		65
	Total \$1,000			Private Mortgage Insurance	45*	45
		Total	\$1,000	\$712		

The Tax Deductibility in a 25% bracket X \$712 = \$178 per month. This Tax Savings may be used to offset the maintenance issues associated with owning a home.

R E N T	Year	Total Paid Out	Equity From Amortization	B U Y	Total Paid Out	Equity From Amortization	+	Equity From Appreciation 4% Assumed Appreciation Rate	=	Total Equity
	5	\$60,000	\$0		\$60,000	\$20,000	+	\$ 35,000	=	\$55,000
10	\$120,000	\$0	\$120,000	\$38,000	+	\$ 77,000	=	\$115,000		
15	\$180,000	\$0	\$180,000	\$60,000	+	\$128,000	=	\$188,000		
20	\$240,000	\$0	\$240,000	\$87,000	+	\$190,000	=	\$277,000		

NOTES: Rents generally increase 3-4% annually and will double in approximately 18-20 years. Certain short term situations may lend themselves better to rental options. Renting will put you in the RED.

- Instant Equity can be generated by purchasing a home below market value.
- Sweat Equity can be generated by homeowner improvements
- Nationally, as to Real Estate, there was a 6.4% average annual appreciation rate over a 44 year history.
- Tax Benefits are the deductibility of Interest, Real Estate Property Taxes, and Private Mortgage Insurance. There is no Capital Gains Tax on Appreciation Gains for homes occupied 2 of the past 5 years.
- There is an Intrinsic Value to Pride of Ownership... The Homeowner can make changes to home or decorate according to their own desires.
- Studies confirm that Home Ownership provides a positive correlation in enhanced Self Esteem, Educational Achievements, Civic Participation & Civic Crime Prevention.
- Buying will put you in the GREEN