

With the slowdown of the real estate market, people are asking if it is better to rent or buy a home. There are a couple of questions you should ask yourself if you are facing this decision.

First, how long do you plan on living in the house. If it is less than 2 to 3 years, you need to rent. There are several costs involved with the sale of the property including commission to sales agents, preparation of property, and the actual moving costs. These costs would outweigh any type of gains in the value of the home. Renting is not a bad thing and in this case it is the proper solution.

Second, homeownership has quite a few costs that renters do not pay. If something does go wrong with something you have purchased, you have to come out of pocket to pay for the expense. Imagine if your air conditioner went out in the month of June. Also, usually homes are larger than your rental unit and you must furnish it. I have actually walked into a person's home that was very large, yet they only had one room with furniture. I would say this is house poor. If you can only afford the mortgage payment and nothing else, I would highly recommend renting something you can afford and begin to save. You need to have at least 6 months of expenses in savings before even thinking about homeownership.

Now if you have decided purchasing a home is for you, there are a couple of good ratios to give you guidance on affordability. Your housing expense should not be more than 28 percent of your total gross income. This means if you make \$100,000 a year you need to be spending less than \$28,000 a year on housing costs. This works out to \$2,333 a month. I usually tell my clients a good estimate for a monthly payment with current interest rates is one percent of the sales price. This ratio includes estimated insurance and tax costs.

Homeownership is the American Dream, but it can also be a nightmare if you are not careful. . If you have any questions you would like answered, please call me at (866) 724-4291 or email [scottboyles@brightscape.com](mailto:scottboyles@brightscape.com).