

Ask an Expert – Home Sweet Home: Is It Best to Rent or Buy?

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04/19/2021



Paying rent each month isn't just for college students or young families not yet settled in a career. Overall, home ownership in the U.S. has declined for the past 10 years since peaking in 2009. At the end of 2020, the rate hovered around 65%. (<https://www.census.gov/housing/hvs/files/currenthvspress.pdf>) If you plan to rent in the future, consider these points:

Advantages of renting:

- Affordability – Monthly rent can cost nearly 1/3 less than the amount of a house payment.
- Down payment/deposit – While some landlords require a deposit equal to first and last month's rent up front, most contracts allow for a sizable refund at the end of the lease for reliable, responsible renters.
- Flexibility to relocate – With an uncertain job market or perhaps more schooling in your future, living under a short-term contract allows more mobility.
- Few maintenance expectations – Yardwork, main appliances, carpets, pipes, etc., are often repaired or replaced by the landlord.

Disadvantages of renting:

- Security – How protected are your belongings inside your apartment? Are you in a safe neighborhood? How is the lighting and protection for your vehicles? Are windows and doors secure with sturdy locks? Check these out before you sign.
- Personalizing or customizing – You may be limited in what you can hang on walls, paint and carpet color and possibly window coverings.

- Space and noise – Apartments and many condos are not known for having large living spaces or being sound-proof.

The majority of Americans still lean toward owning their own home. However, because this type of ownership is likely to be a long-term commitment, it is useful to review the advantages and disadvantages of this option as well.

Advantages of buying:

- Freedom to individualize – When you own your space, you get to choose paint colors, carpet and appliances and determine how you decorate.
- Pride in ownership – If owning your own home has been your goal, this will feel like a major accomplishment.
- Sense of community – You now belong to a neighborhood and can build relationships and a sense of belonging.
- Ability to design and groom your yard and garden – You can reap the calming benefits and satisfaction many people find as they spend time outside working in nature and growing their own flowers and produce.

Disadvantages of buying:

- Down payment – One of the major obstacles for potential homeowners is qualifying for a long-term loan. You will likely need a minimum of 3.5 to 10% of the total loan amount as a down payment. When the down payment is less than 20%, the lender will likely require mortgage insurance, and the interest rate will be adjustable.
- Mortgage payments – The thought of living on a reduced income due to monthly mortgage payments, for not just months but for decades, may seem overwhelming! Homeownership is a major financial commitment.
- Insurance and property taxes – You will now need to purchase home-owner's insurance to protect your investment and also pay property taxes. These can be included in your mortgage payment (through an escrow service), but the trade-off is less money in your savings account earning interest.
- Municipal/utility fees – Moving from a single-rental payment that includes utilities will come to an end with home ownership. You will now begin paying monthly city/municipal fees such as water, electricity, sewer, etc.
- Upkeep and maintenance – The yard and maintenance costs covered by a landlord when renting are now your responsibility. Experts

recommend you plan on spending 1% of your home's value per year to cover maintenance.

- HOA fees – It is possible that you may move into or build a home that is part of a home owners association (HOA). These fees may include hiring someone to take care of the grounds. There may also be fines if the yard isn't maintained, sidewalks aren't cleared or other HOA regulations aren't met.

Approach home ownership with your eyes wide open. Consider enrolling in an online or face-to-face first-time home-owner education course. It will likely save you unexpected financial surprises during the process. If renting is the best option for your current situation, study that as well.

USU Extension offers an online home buyer education course for \$60. For information, visit <https://extension.usu.edu/hbe/>.

Other sources of information for renting vs. buying include:

<https://www.fcs.uga.edu/extension/buy-rent>

<https://extension.missouri.edu/publications/gh5002>.

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