

Renting Vs. Buying For Homes

Fewer Young People Are Buying Homes

Renting a home is often a more appealing option for younger adults than buying a home for a variety of financial and personal reasons. According to a recent survey, nearly 60% of millennials (defined as individuals between the ages of 23 and 38) prefer to rent rather than buy a home.

This trend is likely due in part to the fact that many younger adults are not yet ready to commit to the financial responsibilities that come with owning a home, such as maintaining a mortgage and paying for repairs

Renting Is Cheaper Up Front

One of the main financial reasons that younger adults choose to rent rather than buy is the cost of a down payment. For many young people, saving up enough money for a down payment on a home can be a daunting task.

The average down payment on a home in the United States is around 10%, which can be a significant amount of money for someone who is just starting out in their career. In contrast, most rental properties require a security deposit of only one or two months' rent, which is often more affordable for younger adults.

Another reason that younger adults may prefer to rent is the flexibility it offers. When you rent a home, you are not tied down to a particular location the way you are when you own a home. This can be especially appealing to younger adults who may be unsure of where they want to settle down permanently. Renting also allows for flexibility in terms of the length of time you live in a particular home. Most rental contracts, or leases, are for a set period of time, usually one year, but they can be shorter or longer depending on the agreement between the landlord and the tenant.

The Drawbacks Of Renting A Home

While there are many financial and personal reasons that younger adults may choose to rent rather than buy a home, there are also some potential drawbacks to consider.

For example, renting often has a higher short-term cost than buying a home. The monthly rent for a particular property is often higher than the monthly mortgage payment on a similar property, which means that renters may be paying more in the short term. However, in the long term, buying a home can be a more cost-effective option because the monthly mortgage payments are typically fixed, while rental prices can rise over time.

One of the key considerations when deciding whether to rent or buy a home is the cost of living in your city of residence. For example, in a city like New York or San Francisco, where the cost of living is high, renting may be the more affordable option for younger adults. In contrast, in a city with a lower cost of living, such as Omaha or Des Moines, buying a home may be more cost-effective in the long run.

Know Your Terms & Rights!

When it comes to renting a home, there are several key terms that it is important to understand. The lease term is the length of time that the rental contract is in effect. Most leases are for a period of one year, but they can be shorter or longer depending on the agreement between the landlord and the tenant. The security deposit is a certain amount of money that the tenant pays to the landlord at the beginning of the lease. The security deposit is intended to cover any damages to the property that are caused by the tenant during their tenancy.

Another important term to understand when it comes to renting is the grace period. The grace period is a certain amount of time, typically a few days, that the landlord allows the tenant to pay their rent after it is due.

Knowing your rights as a mortgage borrower and a renter is important because it can help protect you from being taken advantage of by landlords or lenders. For example, as a mortgage borrower, you have the right to receive clear and concise information about the terms of your loan, including the interest rate and fees. This information can help you make an informed decision about whether the loan is right for you.

As a renter, you have the right to live in a safe and habitable property, and your landlord is required to make any necessary repairs in a timely manner. If your landlord fails to do so, you may have the right to withhold rent or terminate the lease. Knowing your rights can also give you the confidence to stand up for yourself if you feel like your rights are being violated.

STANDARDS: 2.12.6a, 2.12.6b, 2.12.6c