Renting vs Buying a Home

Part A: Fill in the following chart.

 RENTING BUYING

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| --- | --- | --- | --- |
| PROS | CONS | PROS | CONS |
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**THE HOME BUYING PROCESS**

**PHASE 1: Determine home ownership needs**

• **How much can I afford to spend?**

• **What type of housing should I buy based on affordability?**

**PHASE 2: Locate and evaluate a home**

• **Where do I want to live?**

• **What aspects of the home need improvement?**

**PHASE 3: Price the property**

• **What is an appropriate market price?**

• **How much negotiation movement exists?**

**PHASE 4: Obtain financing**

• **How much down payment do I have?**

• **What are current mortgage rates?**

• **How much of a mortgage do I qualify for?**

• **What type of mortgage should I select?**

**PHASE 5: Close the purchase transaction**

• **What is the closing date?**

• **What funds and documents are needed for the closing?**

• **Do I understand everything before the final signing?**

**PART B: MORTGAGES**

**Research the following mortgage definitions. Write the definitions below.**

Conventional or high-ratio

Fixed-rate or variable-rate

Short-term or long-term

Open or Closed

**Mortgage Assignment**

**Input each of the two different scenarios into this calculator and determine how much of a house you can afford. The Web site address is:**

**www.practicalmoneyskills.ca --> Calculators --> Home & Mortgage**

**Scenario 1 Scenario 2**

**Scenario 1 Scenario 2**

**How much do you have saved for a down payment?** $10,000 $20,000

**How quickly do you want to pay off your house?** 15 year 15 year

**How much can you afford to pay toward a house payment each month?** $1,000 $1,500

**What interest rate do you think you can find on a mortgage?** 6% 6%

**Anticipated closing costs?** $800 $800

**Loan origination rate?** 1.0% 1.0%

**Property tax rate?** 3.0% 3.0%

**Homeowner's insurance rate?** 0.5% 0.5%

**Answer the following questions about the scenarios above.**

How Much House Can You Afford?

What do you think makes the difference?