

# BETTER MONEY HABITS HIGH SCHOOL LESSON: IS BUYING A HOME RIGHT FOR YOU?

## HANDOUT 8.1 ANSWERS

### PART A

RENTING		BUYING	
BENEFITS	COSTS	BENEFITS	COSTS
Rent may be easier to afford than mortgage	Less control over living environment	Control over living environment: can decorate how you like	Repairs and maintenance are your responsibility and can be costly
No maintenance expenses	Rent can go up	Could be more affordable	Less flexibility if have to move
Insurance is less expensive	No ownership and not building equity	Can deduct interest payments on taxes	Down payments expensive
Could be less expensive and allow you to save for other things		Build equity and home can be yours	May have to pay PMI
Greater flexibility if moving			Have to pay closing costs

### Part B

1. What is meant by the 20 percent down rule?  
**You need to put down 20 percent of the cost of the home you are buying or you may not get the best interest rate on your mortgage and you will have to pay PMI.**
2. What is PMI?  
**Private Mortgage Insurance - usually required if you put less than 20 percent down on a home to protect the lender in case you default on the loan.**
3. List at least two questions you should consider to know if you are ready to buy a home?  
**Do you have less than 20 percent down? How is your job security? Do you want to deal with home repairs? Would a mortgage prevent you from saving for other important things? Do you need to build your credit? Are you planning to stay in area for less than 3-5 years?**
4. Why is owning vs buying a personal decision instead of just a financial decision?  
**People need to find a place that best suits their individual needs and wants as well as their budget.**