

NEWS RELEASE
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WHAT TO DO IN 2010: RENT OR BUY A HOME?

Five questions every potential buyer should ask when deciding whether to rent or buy a home

WASHINGTON, D.C. – First time homebuyers have a lot to consider this summer when making the decision to rent or buy a home: interest rates are at all-time lows, there's still plenty of housing stock and prices are at or near their lowest in years. Still, deciding whether to buy a home or rent an apartment can be a complicated decision. How do you know what's right for you? Potential buyers should ask themselves several key questions before making this important decision.

1. What will monthly costs be, and can I afford the payments?

Keeping mortgage payments under 30 percent of your monthly income is a good rule of thumb. If you can't keep mortgage payments below that, you may be better off renting for a while.

2. What other debt do I have?

Total rent or mortgage payments plus credit obligations should not exceed 35 to 40 percent of monthly income.

3. What is my credit score? Can I qualify for a good interest rate?

A high credit score indicates strong creditworthiness, and that qualifies you for better interest rates on a mortgage. Maxing out on your credit lines and paying bills late will lower your credit score. The impact of a credit score on interest rates can be significant. For instance, a borrower with a score of 760 could pay nearly two percentage points less in interest on a mortgage than someone with a score of 620. Lower interest rates also mean lower monthly payments. If your credit score is low, you may want to delay buying a home until you can improve your score.

4. How much will taxes, monthly maintenance, or other fees cost?

Owning a home means you'll have to pay real estate taxes and other costs like insurance and maintenance. On the other hand, owning a home brings big tax savings at the end of the year. As a renter, the owner pays those costs for you.

5. How many years will I stay here?

Generally, the longer you plan to live someplace, the more it makes sense to buy. You'll build equity in your house and its value is likely to increase over the years.

	Advantages	Disadvantages
Buy	Property builds equity Sense of stability and security Freedom to change décor Tax advantages	Responsible for maintenance Must pay property taxes May not sell quickly
Rent	No maintenance responsibility Easier to vacate	No equity built No tax benefits Can't change décor Possible rent increases

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