SHOULD I BUY OR RENT?

Know the Pros, Cons, and Financial Differences before you decide

Buying a home is often the most expensive purchase that a person makes in their lifetime. It can also be the most lucrative. The housing market is constantly changing. Prices will shift based on housing supply, inflation rates, and buyer confidence. Therefore, it is important to remember several factors when deciding BUY or RENT.

The Advantages/Disadvantages of Buying/Renting

Factors to Consider	Home Ownership	Renting
Stability	**Sell or rent when you decide**	Landlord can give a 30 day notice to move
Home Equity	**A portion of your mortgage pays down loan balance. Home values also appreciate (~4.2%/yr since 1967)**	Landlord will pay down their mortgage with your rent money.
Maintenance	You pay for your own home repairs/maintenance	**Landlord pays for major repairs, while you pay for routine maintenance**
Customization	**Freedom to renovate and personalize**	Landlord has sole control over changes
Financial Predictability	**A fixed-rate mortgage never changes**	Landlord can raise rent at lease end (~8.9%/yr since 1980)
Initial Costs	As little as 0% down (w/ VA Loan) + closing costs. $300,000 home would cost ~$7000	**Security deposit + first and second months rent + pet fees (~$6500 for similar home)**
Tax Benefits	**Mortgage interest deduction and depreciation if renting out**	No tax breaks

What Works Best for You?

Purchase Information

How much would your desired home cost?	A
Up-Front Cost (down payment + closing costs)	B
Annual Property Tax	C
Annual Homeowners Insurance	D
Annual HOA	E
Loan Term	F
Current/Quoted Interest Rate	G

Rent Information

How much would a similar home cost to rent per month?	H
Security Deposit	I
Initial Fees (background check, pet fees, etc.)	J
Annual Renters Insurance	K

Combined Information

How long will you live in the home? (rental or owned)	L

Cost/Profit At Move-Out

Home Purchase	Renting

Visit MIL-MOVE.com to download a fillable form with built-in calculations

HOW MUCH HOUSE CAN I BUY?

Understanding the 28/36 Rule

The 28/36 rule is a finance principle that lenders use to show how much of a person's gross monthly income should go to housing costs and how much should go to monthly debt. There are two main parts to this rule.

1) No more than 28 percent of your gross monthly income should go to monthly housing costs. This includes all costs related to holding title on a home. This is called the PITI ratio, which stands for principal, interest, taxes, and insurance.

2) No more than 36 percent of your gross monthly income should be spent on total debt and loan payments. This total monthly debt includes mortgages, but also includes other forms of borrowing like credit card debt and car loans.

Total Monthly Income

Description	Amount
	A
	B
	C
	D
	E
Total [A+B+C+D+E]	F

Career, Side Hustle, Child Support, Bonus, Rental etc.

Total Monthly Debt

Description	Amount
	G
	H
	I
	J
	K
Total [G+H+I+J+K]	L

Car, House, Credit Card, Student Loans, Medical Bills, etc.

Current Debt-to-Income Ratio

Total Monthly Debt [L] divided by Total Monthly Income [F] = M

Highest Affordable Monthly Mortgage

According to:	Formula	Monthly Mortgage
Debt-to-Income Ratio	(0.36 - DTI [M]) x Total Monthly Income [F]	O
PITI Ratio	0.28 x Total Monthly Income [F]	P

Highest Affordable Purchase Price

Interest Rate	Q
Down Payment	R
Loan Term (yrs)	S
Monthly Tax	T
Monthly Insurance	U
Monthly HOA	V

According to:	Formula	Purchase Price
DTI Ratio	$\frac{O * \left\{\left[\left(1+\frac{Q}{12}\right)^{12(S)}\right]-1\right\}}{\left(\frac{Q}{12}\right) * \left[\left(1+\frac{Q}{12}\right)^{12(S)}\right]} + R$	W
PITI Ratio	$\frac{P * \left\{\left[\left(1+\frac{Q}{12}\right)^{12(S)}\right]-1\right\}}{\left(\frac{Q}{12}\right) * \left[\left(1+\frac{Q}{12}\right)^{12(S)}\right]} + R$	X

Total Monthly Payment

According to:	Formula	Monthly Mortgage
Debt-to-Income Ratio	Monthly Mortgage [O] + Tax [T] + Insurance [U] + HOA [V]	Y
PITI Ratio	Monthly Mortgage [P] + Tax [T] + Insurance [U] + HOA [V]	Z

Visit MIL-MOVE.com to download a fillable form with built-in calculations