



March 3, 2010
Impressions: 770,811

Is Homeownership Still Your American Dream?

By [Rent.com](#) Mar 3, 2010 [More from Rent.com »](#)

Traditionally, the American Dream has meant a home to hang your hat, raise your children and grow old together. However, that simple dream has been complicated by speculation and risk-taking during the past half century, which has resulted in an implosion of the housing market.

With 8 million jobs lost since the start of the recession and foreclosure rates at historical highs, many Americans are out of work, have lost their homes or are under water with their mortgages. In the midst of such chaos, even those of us watching from the sidelines and quietly planning for our own futures are forced to wonder: Is homeownership really *my* American Dream?

It was once a widely held belief that you could count on home prices to appreciate and that real estate was a solid investment. However, it's now clear that this notion can have devastating impacts. With the collapse of the housing market, many Americans are left feeling cynical about home ownership. In a June 2009 survey commissioned by the National Foundation for Credit Counseling, one-third of respondents admitted to the disbelief that they will ever be able to own a home. Furthermore, 42% of those who once purchased a home but no longer own it believe that they'll never be able to afford to buy again.

Perhaps it's time to rethink the American Dream. While there can be advantages to homeownership for many, it may not be for everyone and there are many important factors to consider in the often overlooked rent versus buy decision.

To learn more about how to make an educated rent or buy decision, we have four somethings of advice. We'll walk you through key financial considerations for both the short-term and long-term, and we will discuss the impact that lifestyle choices should have on your thinking. Discover if homeownership is really a part of your American Dream, or if renting is more in line with your ideal way to live. First we'll address financial considerations in the short-term.

Short-Term Financial Implications of Renting vs. Buying

The first factor to consider when making a homeownership decision is the short-term financial implication of a [mortgage](#). Ask yourself: What will the monthly payments and annual expenses look like? Many Americans might not be aware that simply comparing a mortgage payment to a rental payment is problematic. More often than not, there are additional hefty expenses related to homeownership that are not part of your mortgage payment, such as property [taxes](#) and home maintenance.

While there are many online calculators designed to help you compare the costs of renting versus [buying a home](#), it's important to use them appropriately. If utilized with the correct data, they can be a useful starting point in your financial analysis.

Before doing the math, be sure to know your [credit score](#), what mortgage rate you qualify for and what your required down payment percentage would be. We recommend that you not use national averages that are typically pre-populated in online calculators for the above data, as they may not give you a relevant result.

Depending on the type of property you're purchasing as well as where you reside, taxes and maintenance costs can vary substantially. In addition, home maintenance costs vary by type of property and can be unpredictable. For example, a 1920s home may require more maintenance than a newly built condominium with modern equipment and construction.

Tip: Financial planners recommend putting 20% down, so as to minimize the chance of owing more than your home is worth if the price falls. Getting a fixed-rate mortgage is preferable because it ensures stability on expenses, which makes future planning much easier. Lastly, plan to spend no more than 35% of your pre-tax income on the mortgage, [property tax](#) and home insurance if you want to be conservative.*

If you've fully reviewed the numbers, and feel that you can comfortably cover the total cost of home ownership, the next step is to understand whether you can also maintain financial security for the long-term by continuing to save for the future. Learn more about this important step in our next post.

**Reference: Seven New Rules for the First Time Home Buyer, New York Times, September 11, 2009 by Ron Lieber*

More Resources:

[Rent.com](#) is the nation's #1 Internet listing site (ILS) in the rental housing industry enabling renters to find a residential rental property online using a free robust search tool. Rent.com has the most online traffic and the largest inventory of contracted property listings. As the only national ILS with a pay per lease business model, Rent.com allows property managers to cost-effectively fill their vacancies.

Prospective renters can search the site's detailed property listings, including contact information, pricing, photos, floor plans, and virtual tours. With the ability to directly contact property managers, finding the rental housing of your dreams is as easy as 1-2-3.

In addition to providing renters free access to detailed property listings and robust search tools, Rent.com rewards renters with a \$100 prepaid Visa® debit card if they: (1) find their property using the Rent.com website, (2) tell the property owner or manager they found their rental home using Rent.com, and (3) report to Rent.com signing a lease with a property that participates in the \$100 Reward Program. Rent.com is dedicated to giving renters a convenient way to find the perfect place to live.