

# Buying or renting a home

This tool will help you think about whether to rent or buy a home when faced with a Permanent Change of Station and where living on base may not be an option.

The decision to rent or buy a home is among the most challenging and important. It is a personal decision and often related to a servicemember's values and goals.

Many factors affect a servicemember's ability afford buying a home, like income, credit history, and debt. These include income, credit history, and debt. There are lifestyle and emotional factors to consider too, like the stress of affording mortgage payments and maintenance, or selling the home if needed. But it also provides freedom to that aren't allowed when you're renting.

## What to do

- **Read through the prompts below.** Think about your goals, values, and the lifestyle you want as you read.
- **Review the additional information for each prompt.** This may give you more information to help you answer the question.
- **Answer each prompt.** If you have a spouse and/or other family member(s) moving with you, consider answering the questions with them.

## A step further

Use this as the foundation for a productive conversation.

To access a dynamic and fillable version of this tool, visit [consumerfinance.gov/your-money-your-goals/companion-guides](https://consumerfinance.gov/your-money-your-goals/companion-guides).



# Deciding on **Buying or renting** a home

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1. Read each prompt and the additional information to determine an answer.
2. Put a check or "x" in the column that best represents your answer right now for each consideration.
3. Select either "yes" or "no" for each prompt.

What to consider	Additional Information	Yes	No
1. <b>Do you have <i>enough</i> regular income to cover the monthly payment?</b>	<p>If you are buying a home with a loan, you will have a monthly mortgage payment. It will likely include the partial repayment of the loan, the interest you owe, taxes, and home insurance. If your interest rate is fixed, your monthly payment will only fluctuate based on changes to taxes or insurance.</p> <p>Rent, however, can increase. Prior notice is required, but the amount of time required for this notice varies by state and local laws.</p>	<input type="checkbox"/>	<input type="checkbox"/>

What to consider	Additional Information	Yes	No
<b>2. Do you have enough income and savings to afford the utilities, maintenance, repairs, and other ongoing costs associated with homeownership?</b>	<p>You will need additional income to cover utilities and other ongoing costs if you own a home.</p> <p>If your renting may be included in your rent, such as gas and electric. But water, sewer, garbage/recycling, internet, television, or phone service are generally not included.</p> <p>As a renter, you also won't pay for most regular maintenance and repair costs. Read your lease or rental agreement to ensure you understand what is and is not covered in your monthly payment.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<b>3. Can you afford a mortgage with the other debt you have?</b>	<p>The more debt you have, the less money you have to cover housing costs whether you are renting or buying.</p> <p>When buying a home, some lenders set limits on how much debt you can have to qualify for the loan. With VA loans, there is no maximum debt-to-income (DTI) ratio but borrowers with a high DTI ratio may have trouble getting approved for a VA loan.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<b>4. Do you have a good credit history?</b>	<p>Your credit scores and the information in your credit reports may affect your ability to rent or buy. For renters, lower credit scores may mean higher security deposits or rejected applications. When buying a home, lower credit scores can reduce your options for financing your home purchase. With VA loans there is no minimum credit score required—the lender must consider the entire loan profile.</p>	<input type="checkbox"/>	<input type="checkbox"/>

What to consider	Additional Information	Yes	No
<b>5. Do you have money for a down payment and closing costs?</b>	<p>For a conventional loan, you must generally pay 20% of the loan as a down payment or you pay for mortgage insurance. This increases your monthly payment.</p> <p>With a VA loan, no down payment is required unless it's required by the lender and mortgage insurance isn't required. Closing costs are generally paid at closing but may be rolled into the loan. Experts estimate buyers pay two to five percent of the purchase price, but the actual percentage varies depending on where the home is located.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<b>6. Will you benefit from a home mortgage interest deduction?</b>	<p>You may be able to deduct all or most of the interest you pay for a mortgage from your taxes. This reduces your taxable income. To use the home mortgage interest deduction, you must list or itemize your deduction. Itemizing tax deductions may not be worth it for all families. Look at whether your total itemized deductions, including your mortgage interest deduction, are greater than the standard deduction you're entitled to.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<b>7. Is the local housing market stable?</b>	<p>This affects your ability to sell a home if you have a Permanent Change of Station (PCS) or move for another reason. Ask real estate professionals, lenders, and appraisers questions to understand your local housing market. Do homes seem to sell relatively quickly? Are there few foreclosures? Are home prices increasing at a reasonable rate? These are typically signs of a stable housing market.</p>	<input type="checkbox"/>	<input type="checkbox"/>

What to consider	Additional Information	Yes	No
<b>8. Is the military installation unlikely to close?</b>	The Department of Defense Base Realignment and Closure (BRAC) Commission may be looking to close your installation, which could result in changes that affect the housing market. If you buy a home, and the local economy is dependent on a military installation that closes, it may affect your ability to sell or rent a home.	<input type="checkbox"/>	<input type="checkbox"/>
<b>9. Do you think you will return to or potentially retire in the area?</b>	Generally, the longer you stay in a home, the more your equity will grow. Home equity is the value of your home minus any loans you owe on your home. Once you build home equity, you may be able to borrow against it to pay for other needs like home improvements or education.  You do not build equity when you rent.	<input type="checkbox"/>	<input type="checkbox"/>
<b>10. Do you need housing with accommodations for seen/ unseen injuries?</b>	When you own a home, you have more freedom to remodel or adapt a home. The VA has a specially adapted-housing program, which offers grants to help servicemembers and veterans with certain service-connected disabilities build, remodel, or purchase an adapted home.  If you rent, the Fair Housing Act, which covers most housing, requires landlords to provide reasonable accommodations for individuals with disabilities. This includes service and emotional support animals. You can't be discriminated against or evicted if you have a service animal.	<input type="checkbox"/>	<input type="checkbox"/>

What to consider	Additional Information	Yes	No
11. Would renting a home impair your ability to pursue hobbies like gardening or painting?	When you own a home, you have the freedom to pursue a wide range of hobbies, and you can redecorate and renovate within any limits set by local laws or a Home Owners Association (HOA) if applicable.  Some landlords may allow gardening and redecorating, but this will vary.	<input type="checkbox"/>	<input type="checkbox"/>
12. Do you have pets?	When you own a home, you can generally have the pets you want within the limits of state or local laws. Some rentals allow pets, but the type and number are generally limited, and an additional financial deposit is often required.	<input type="checkbox"/>	<input type="checkbox"/>
13. Are you comfortable becoming a long-distance landlord if you are unable to sell the home following a PCS or other move?	If you are unable to sell your home, you may have to rent it out in order to cover the costs of ownership. Being a long-distance landlord presents a host of challenges-especially finding tenants that will care for your home as you would.  As a renter, you may experience financial penalties for moving if you vacate the rental before the term of the lease or cause any damage to the property. But, generally, leaving a rental is easier than selling a house.	<input type="checkbox"/>	<input type="checkbox"/>
<p>If you have more "yes" than "no" responses, you may be ready to explore buying a home rather than renting. If you have more "no" responses, you may need to do a little more research before deciding, or renting may be the best choice for you right now.</p> <p>For more information on buying a home, visit: <a href="https://consumerfinance.gov/owning-a-home">consumerfinance.gov/owning-a-home</a>.</p> <p>For more information about the home buying process using a VA loan, visit: <a href="https://va.gov/housing-assistance/home-loans/home-buying-process/">va.gov/housing-assistance/home-loans/home-buying-process/</a>.</p>		<b>Total Responses</b>	

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