An aerial photograph of a residential neighborhood with streets, houses, and trees, serving as a background for the title.

Comparing Costs of Housing

PNW 139

When considering a move to a new home, people often wonder what this change in housing will cost them. Have you wondered about questions such as these?

- If I move, what will my monthly expenses be?
- If I buy, what amount in savings will I need to make the down payment and pay the initial costs of getting into the home?
- Will I lose money if I rent an apartment or buy a mobile home rather than a conventional single-family home?
- In the future if I want to resell this home, how much cash will I clear from the sale to use for another home?

To help you think through some of the answers to these questions, this bulletin suggests places you may go to get information you need and it provides a worksheet for you to use with your housing decisions.

Look at Initial Costs

Deposits

If you are considering a rental, will you be asked for first and last month's rent in advance? Will you be asked to pay a specified cleaning deposit before moving in? Are utility deposits required?

Taxes on the purchase price

In some states or cities, you may be required to pay a sales tax when you purchase a mobile home. When making price comparisons between different types of homes, don't overlook the sales tax dollars. Also, some states or cities may tax conventional home purchases at the time of sale with a documentary stamp tax; the county recorder or assessor can give you information about this.

Down payments

If you want to finance the purchase of a home or land ownership with monthly payments, what down payment will be required by the lender? Compare the amount for down payment and other requirements between different types of financing such as your state V.A., Federal V.A., F.H.A. Insured, and conventional loans through different lenders; you may find the availability and the requirements vary considerably.

Loan closing costs

What will be your costs connected with the loan application and legal documents? What will be your share of the taxes and insurance? For estimating purposes, you can use the figure 10 percent of the amount financed for a conventionally built home. Closing costs for mobile homes are small, generally under \$10.

Land costs

If you are thinking of putting a conventional, modular, or mobile home on your own land, what are current lot prices in your area? Real estate ads, brokers, and mortgage lenders can advise you on these. What are the costs of bringing in the utilities if they are not included in the land sale price? What initial costs will you have connected with site preparation such as a foundation for a modular home, a mobile pad and tie-downs, or driveways?

Furnishings and equipment

A move to a new home may require you to buy a major piece of equipment such as a refrigerator, or it may mean that you will need to immediately buy some new home furnishings such as draperies. As you compare one home with another, be sure to consider what furnishings and equipment are included in the price of each home. A mail order catalog can give a general estimate of the cost of furnishings and equipment you will need to buy to move into a particular home.

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Moving costs

If you move to a new home, you will have costs that you would not have if you stayed in your present home. A phone call to commercial movers or a do-it-yourself truck rental agency can help you estimate these costs.

Look at Monthly Costs

Basic rent

If you are thinking of renting, what is the basic rental fee per month? What is included in this fee, i.e., water, electric, garbage pick-up, etc.?

Land fees

If you are thinking of owning your own home but renting the use of someone else's land, what will be this monthly fee? For example, mobile home park rental fees can range from under \$40 to over \$85; homeowner association fees connected with some planned developments or with condominium ownership can range from under \$10 to nearly \$100. When checking out these costs, compare both the dollar amount and the facilities provided.

Loan repayment

If you are thinking of buying your home through a monthly payment plan, what will be the cost of the loan

Worksheet

Basic information

We have approximately \$ _____ in savings and investments that if we desire, we can use for housing costs such as a down payment.

	Home #1	Home #2	Home #3
Selling price of homes being considered	\$_____	\$_____	\$_____
Rate (APR) of interest charged for loan	_____%	_____%	_____%
Financing available for no. of years	_____ yrs	_____ yrs	_____ yrs
% Amount of down payment required	_____%	_____%	_____%

Initial (one-time) costs

Deposits	\$_____	\$_____	\$_____
Down payment	\$_____	\$_____	\$_____
Loan closing costs	\$_____	\$_____	\$_____
Land costs	\$_____	\$_____	\$_____
Furnishings/equipment needed	\$_____	\$_____	\$_____
Moving costs	\$_____	\$_____	\$_____
Total initial costs	\$_____	\$_____	\$_____

Monthly costs

Basic rent	\$_____	\$_____	\$_____
Land fees	\$_____	\$_____	\$_____
Loan repayment and interest	\$_____	\$_____	\$_____
Property taxes	\$_____	\$_____	\$_____
Insurance	\$_____	\$_____	\$_____
Utilities	\$_____	\$_____	\$_____
Repair/maintenance/replacement	\$_____	\$_____	\$_____
Total monthly costs	\$_____	\$_____	\$_____

A Look to the Future

Housing expenses over 10 years

Total initial costs

Total monthly costs (120 mo.)

Total for 10 years

Home #1	Home #2	Home #3
<i>Mobile</i>	<i>Conventional</i>	<i>Duplex Rental</i>
<u>2,615</u>	<u>5,400</u>	<u>150</u>
<u>29,880</u>	<u>31,680</u>	<u>32,760</u>
<u>32,495</u>	<u>37,080</u>	<u>32,910</u>

*#200 for 5 yrs
#250 for 54*

Other dollar considerations for 10 years

Property owned

Total savings

Amount in account

Plus compounded interest

Total income tax savings

Federal

State *Oregon Property Tax Relief*

<i>Mobile + Lot</i>	<i>House + Lot</i>	<i>Lot Only</i>
<u>4,500</u>	<u>None</u>	<u>10,050</u>
<u>2,500</u>	<u>None</u>	<u>5,000</u>
<u>2,000</u>	<u>None</u>	<u>5,050</u>
<u>← Standard Deduction Taken →</u>		

*Interest & Taxes
less than \$2,000
No other major
deductions to
itemize.*

If property resold after 10 years

Estimated resale price

3% a year inflation factor

Mobile depreciation per tax appraiser

Selling expenses (Total)

Reaching buyers: (Realtor commission at 6% or cost of advertising)

Fix-up costs connected with sale: (paint, minor repairs)

Seller's portion of loan closing costs: (1% of selling price approx.)

Amount required to pay off loan in full:

Cash available after sale (selling price minus expenses)

Money available for move to new home

Sale of property

Money in savings

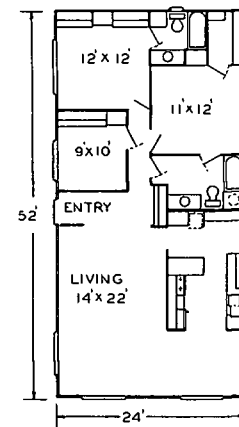
Total

<i>#5,000 home \$4,000 lot</i>	<i>#26,000 home \$4,000 lot</i>	<i>Unimproved lot only</i>
<u>9,000</u>	<u>30,000</u>	<u>3,000</u>
<u>\$625</u>	<u>\$16,200</u>	<u>\$200</u>
<u>25</u>	<u>1,800</u>	<u>180</u>
<u>100</u>	<u>100</u>	<u>none</u>
<u>none</u>	<u>300</u>	<u>20</u>
<u>500</u>	<u>14,000</u>	<u>none</u>
<u>\$8,375</u>	<u>\$13,800</u>	<u>\$2,800</u>
<u>8,375</u>	<u>13,800</u>	<u>2,800</u>
<u>4,500</u>	<u>none</u>	<u>10,050</u>
<u>12,875</u>	<u>13,800</u>	<u>12,850</u>

A Case Study

The Joneses are a young couple with one small child. They are considering a move to a three-bedroom home with at least one and a half baths. They do not now own a range and refrigerator. They have \$5,000 in savings and they own a lot, appraised at \$2,000, on which they could build or locate a mobile home. Major utilities and a street run along the edge of the lot, but they would have to pay to have them brought to the home site.

They are considering (1) placing a mobile home on their own lot, (2) having a conventional home built on their lot, or (3) moving into a rental duplex apartment. After doing some checking, they discovered they could get this basic floor plan shown in any of these three housing choices. They are looking at about 1,250 square feet in a medium-priced mobile home, a low-cost conventional home, or a top-of-the-market rental.



Worksheet

Basic information

We have approximately \$5,000 in savings and investments that if we desire, we can use for housing costs such as a down payment.

Plus lot worth \$2,000 Needs utility connection.

	Home #1	Home #2	Home #3
	<i>Mobile</i>	<i>Conventional</i>	<i>Duplex Rental</i>
Selling price of homes being considered	\$13,000	\$20,000	\$ X
Rate (APR) of interest charged for loan	12 %	8 %	X %
Financing available for no. of years	12 yrs	30 yrs	X yrs
% Amount of down payment required	10 %	10 %	X %

Initial (one-time) costs

Deposits	\$ None	\$ None	\$ 50
Down payment	\$ 1,500*	\$ 2,000*	\$ None
Loan closing costs	\$ 15	\$ 2,000*	\$ None
Land costs (<i>utility costs</i>)	\$ 1,000*	\$ 1,000*	\$ None
Furnishings/equipment needed	\$ None	\$ 300 <i>refrig.</i>	\$ None
Moving costs	\$ 100	\$ 100	\$ 100
Total initial costs	\$ 2,615	\$ 5,400	\$ 150

** From savings*

Monthly costs

Basic rent	\$ X	\$ X	\$ 200
Land fees	\$ None	\$ None	\$ None
Loan repayment and interest	\$ 144	\$ 132	\$ X
Property taxes	\$ 35	\$ 48	\$ None
Insurance <i>Comprehensive Policy</i>	\$ 10	\$ 17	\$ 8 - <i>Renters Policy</i>
Utilities	\$ 50	\$ 50	\$ 40 <i>Electric and Phone only</i>
Repair/maintenance/replacement	\$ 10	\$ 17	\$ X
Total monthly costs	\$ 249	\$ 264	\$ 248

repayment and interest? A loan officer in a bank or savings-and-loan company can provide you with cost figures for both conventional homes and mobile homes. Many mobile dealers also arrange loans and can quote monthly costs.

When comparing, be sure to ask about interest rates as well as monthly costs. Ask that you be quoted the ANNUAL PERCENTAGE RATE (APR). According to Federal "Truth In Lending" law, the APR must be written into every contract and should be available to you to make comparisons.

Taxes

Although property taxes become due on an annual basis, they are most frequently added in with the monthly payments. To compare the taxes on one home as contrasted to another, give the county assessor the names of the legal owners and the location of the properties involved. If a home is not already on the property and you intend to move a mobile home onto it or to build, give the assessor the price of the home. He will quote you the tax rate for each location. You can multiply the tax rate by the true cash value (appraised valuation) of the property to get an estimate of the yearly taxes.

For monthly costs, divide annual costs by twelve.

A Look to the Future

	Home #1	Home #2	Home #3
Housing expenses over 10 years			
Total initial costs	-----	-----	-----
Total monthly costs (120 mo.)	-----	-----	-----
Total for 10 years	-----	-----	-----
Other dollar considerations for 10 years			
Property owned	-----	-----	-----
Total savings	-----	-----	-----
Amount in account	-----	-----	-----
Plus compounded interest	-----	-----	-----
Total income tax savings	-----	-----	-----
Federal	-----	-----	-----
State	-----	-----	-----
If property resold after 10 years			
Estimated resale price	-----	-----	-----
Selling expenses (Total)	-----	-----	-----
Reaching buyers: (Realtor commission at 6% or cost of advertising)	-----	-----	-----
Fix-up costs connected with sale: (paint, minor repairs)	-----	-----	-----
Seller's portion of loan closing costs: (1% of selling price approx.)	-----	-----	-----
Amount required to pay off loan in full:	-----	-----	-----
Cash available after sale (selling price minus expenses)	-----	-----	-----
<i>Money available for move to new home</i>			
Sale of property	-----	-----	-----
Money in savings	-----	-----	-----
Total	-----	-----	-----

Insurance

If you are considering renting, learn the insurance costs for *property damage coverage* for personal belongings and furnishings and *liability coverage* to protect your income and assets. If you are considering ownership, you will want the above protection as well as coverage on the building itself. An annual rate can be quoted by an insurance agent if you tell him approximately how much protection you will require—the value of the house and the value of your belongings. While not as accurate, you can estimate yearly insurance costs by taking 1 percent of the price of the home.

For monthly costs, divide annual costs by twelve.

Utilities

Utility costs are very difficult to estimate because no two families use water and energy in exactly the same way and in the same amounts. However, you can get estimates from utility companies if the home previously has been occupied. Rates for water, sewer, and garbage collection can be obtained through your city hall.

For monthly costs, divide annual costs by twelve.

Maintenance/replacement

While the needed maintenance will vary with age and type of construction, you do not want to overlook these costs. Also remember that equipment will need to be replaced and updated. As an average, you should allow at least 1 percent of the price of the home as yearly costs.

For monthly costs, divide annual costs by twelve.

Look at Other Dollar Considerations

"Lost Dollars"

What does taking money out of savings or other investments mean in the long run as you look at the lost interest or capital gains. For example, \$1,000 left in a savings account over 10 years at 6 percent interest earns over \$800. If this money is withdrawn for a down payment or a land purchase, you have lost these earnings.

Income tax savings

If you are considering buying a home, you may be able to save money on your state and federal income tax by taking interest and taxes as deductions. Of course, you would consider this savings only if you itemize your deductions and do not take the standard 15 percent deduction (not to exceed a maximum of \$2,000).

Renters, like home buyers, may be eligible for some property tax refund. Mobile home owners who rent space in a mobile home park may find that they are eligible for both income tax deductions and renter's property tax refund. Since tax laws are in a state of change, it is wise to check with the county assessor for the current status of the law before doing your housing cost comparisons.

Depreciation/appreciation

This applies to the increase or decrease in the price for which you can resell a home. When you are talking about appreciation or depreciation, you are predicting what will happen in the future and this is difficult to do with any degree of accuracy.

However, for estimating purposes, conventional home selling prices have been rising more than 3 percent a year. The mobile home market is changing so rapidly that it is difficult to use a set figure; some property appraisers are finding that a high-quality double-wide mobile home parked in a desirable location is not depreciating but actually appreciating at about the same rate as a conventional home. However, most mobile homes depreciate in value; check with an appraiser, realtor, or mobile home dealer who is familiar with your locality. For estimating purposes, use this guide; 10 percent the first year, 5 percent each year thereafter until the home is eight years old, then 2 to 3 percent each remaining year.

If your main consideration about depreciation/appreciation is "How much will I have in cash when I resell my home and want to make a down payment on a new home?" you can get an estimate by making the same analysis as shown in the example in this bulletin.

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