





3501 N 64Th Street Unit: 18 Scottsdale, AZ 85251  
990 sq ft 2 bed 1.5 bath Condo  
Price: \$89,900  
Taxes: \$593/year  
HOA: \$215/month (includes insurance)  
MLS 3022912

## Loans:

N=360  
I%=5.06  
PV=85405  
PMT=-459.67  
FV=0  
P/Y=12  
C/Y=12  
PMT:BEGIN

30 Year Fixed

5% down payment: \$4,495  
5.06% interest  
\$459.67 per month  
Estimated PMI: \$55

**Total paid to bank: \$165481.20 (\$482.71\*360 payments)**  
Closing Costs: \$3596.00

N=180  
I%=4.63  
PV=85405  
PMT=-656.50  
FV=0  
P/Y=12  
C/Y=12  
PMT:BEGIN

15 Year Fixed

5% down payment: \$4,495  
4.63% interest  
\$675 per month  
Estimated PMI: \$55

**Total paid to bank: \$118170 (\$656.50\*180)**  
Closing Costs: \$3596.00

## Buy vs Rent

Assume we go with the 30 year loan:  
Monthly payment: \$459.67  
Tax payment: \$49.58 (\$598/12)  
HOA: \$215  
PMI: \$55  
**Total: \$779.25**

Comparable Rental:  
3131 N 70th St. Scottsdale, AZ 85251  
2/2 1063 sq ft  
Rent: \$805/month  
Tax: \$12.24  
Pet fee: \$50  
**Total: \$866.24**

The clear winner at this point is the buyer. This could change however, depending on how much rental prices depreciate over the next year.

Property listing:  
[http://www.realtor.com/realestateandhomes-detail/3501-N-64Th-Street-Unit-18\\_Scottsdale\\_AZ\\_85251\\_1101148245](http://www.realtor.com/realestateandhomes-detail/3501-N-64Th-Street-Unit-18_Scottsdale_AZ_85251_1101148245)  
Rental listing:  
<http://colonialprop.com/property-info/?cid=1999>  
Interest Rate estimates:  
[http://www.bankrate.com/brm/rate/brm\\_mtg\\_avg.asp](http://www.bankrate.com/brm/rate/brm_mtg_avg.asp)  
Closing cost estimates:  
[http://www.mortgageinvestment.com/Mortgage\\_and\\_real\\_estate\\_Calculators/closing\\_cost\\_calculator.htm](http://www.mortgageinvestment.com/Mortgage_and_real_estate_Calculators/closing_cost_calculator.htm)

# \$65,000

Greenville SC Home 2

120 Irene Circle Greenville, SC 29617  
 1100 sq ft 2 bed 1 bath Single Family Home  
 Price: \$65,000  
 Taxes: \$641/year  
 Insurance: \$50/month  
 HOA: None  
 MLS 1177737

## Loans:

N=360  
 I%=5.06  
 PV=61750  
 PMT=-332.35  
 FV=0  
 P/Y=12  
 C/Y=12  
 PMT:BEGIN

30 Year Fixed

5% down payment: \$3,250  
 5.06% interest  
 \$332.35 per month  
 Estimated PMI: \$55

**Total paid to bank: \$119646 (\$332.35\*360 payments)**  
 Closing Costs: \$2600.00

N=180  
 I%=4.63  
 PV=85405  
 PMT=-474.66  
 FV=0  
 P/Y=12  
 C/Y=12  
 PMT:BEGIN

15 Year Fixed

5% down payment: \$3,250  
 4.63% interest  
 \$474.66 per month  
 Estimated PMI: \$55

**Total paid to bank: \$85438.80 (\$474.66\*180)**  
 Closing Costs: \$2600.00

## Buy vs Rent

Assume we go with the 30 year loan:  
 Monthly payment: \$332.35  
 Tax payment: \$53.42 (\$641/12)  
 Insurance: \$50  
 PMI: \$30  
**Total: \$465.77**

Comparable Rental:  
 101 League St. Easley, SC 29640.  
 2 bed 2 bath  
 Rent: \$599/month  
**Total: \$599**

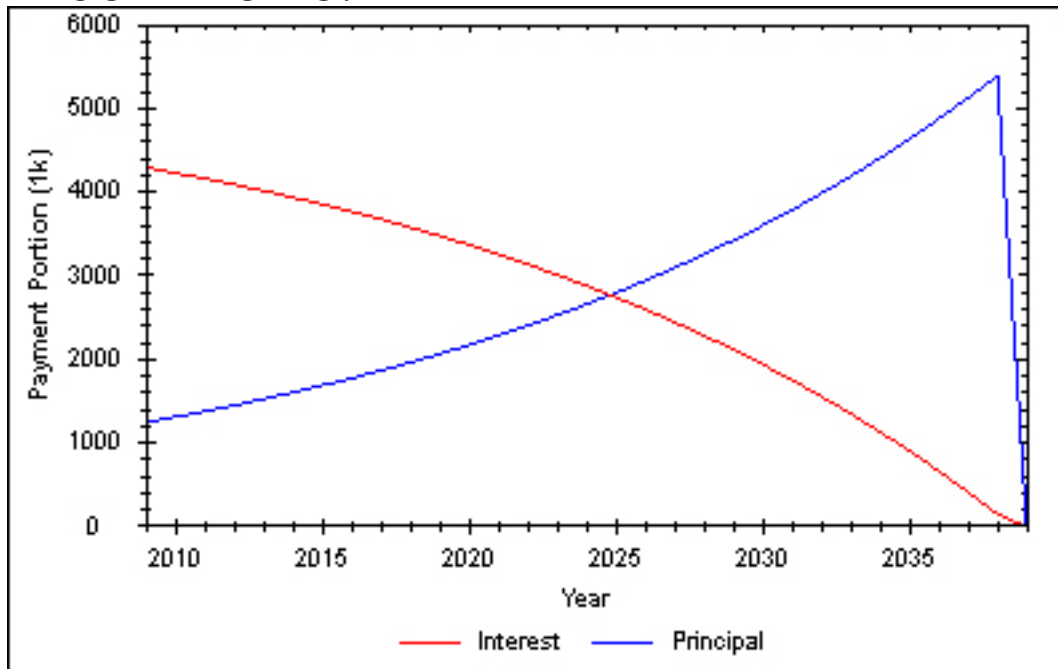
Again, the clear winner is the buyer. This could change however, depending on how much rental prices depreciate over the next year.

Property listing:  
[http://www.realtor.com/realestateandhomes-detail/120-Irene-Circle\\_Greenville\\_SC\\_29617\\_1107651397](http://www.realtor.com/realestateandhomes-detail/120-Irene-Circle_Greenville_SC_29617_1107651397)  
 Rental listing:  
<http://greenville.craigslist.org/apa/1099205130.html>  
 Interest Rate estimates:  
[http://www.bankrate.com/brm/rate/brm\\_mtg\\_avg.asp](http://www.bankrate.com/brm/rate/brm_mtg_avg.asp)  
 Closing cost estimates:  
[http://www.mortgageinvestment.com/Mortgage\\_and\\_real\\_estate\\_Calculators/closing\\_cost\\_calculator.htm](http://www.mortgageinvestment.com/Mortgage_and_real_estate_Calculators/closing_cost_calculator.htm)

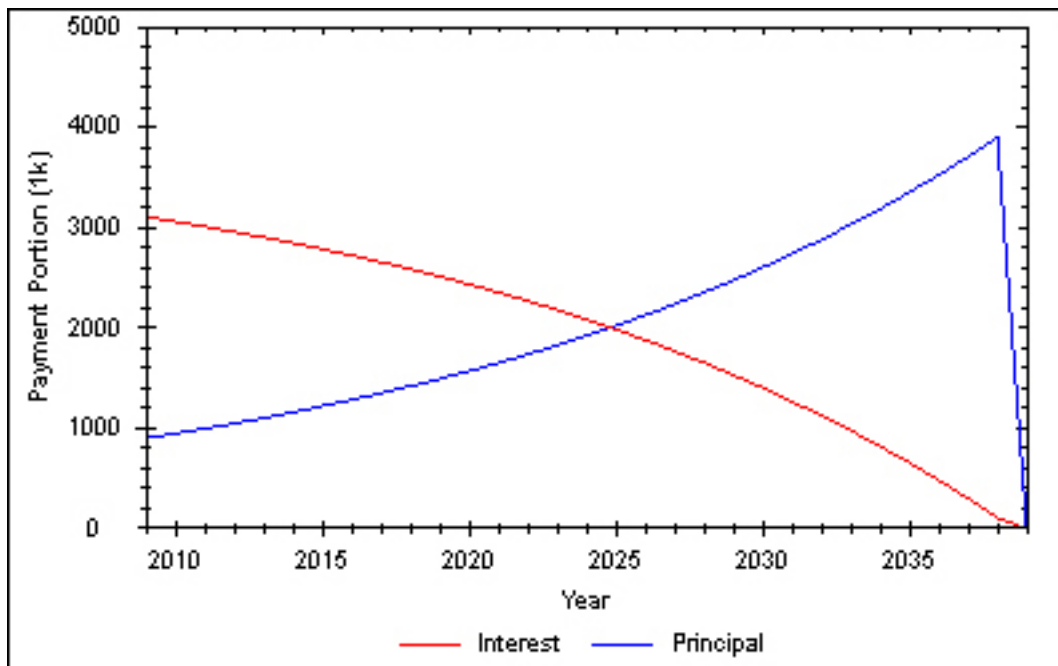


Judging by these graphs, it would be roughly 16 years into the 30 year loan before the majority of the monthly payment begins going to the principle of the loan, for either home.

### Phoenix home:



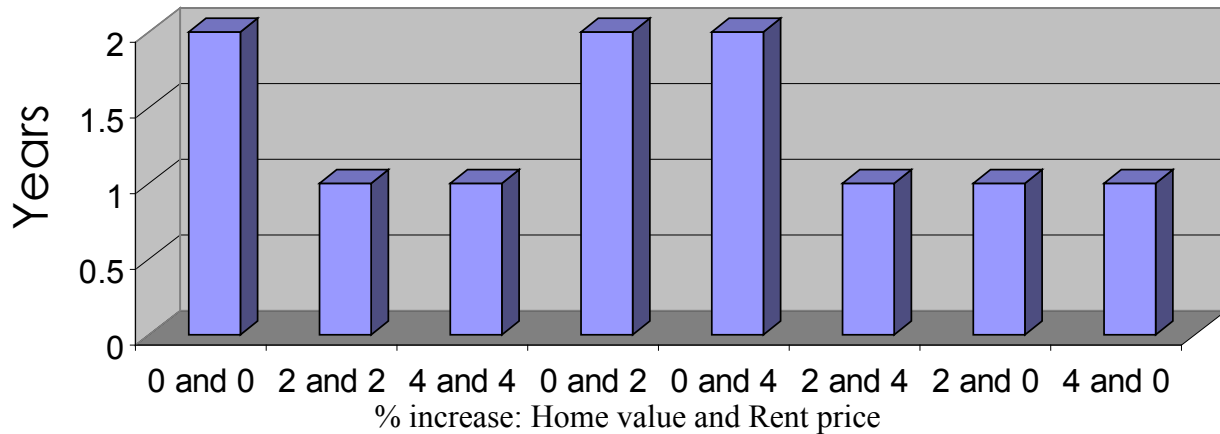
### Greenville home:



# a

## preciation and depreciation

# of years after which buying is better:



In all of these scenarios of home value appreciation and rental price increases, it is better to buy if you plan to live in the home for at least 1 to 2 years.

Source: New York Times Rent vs Buy calculator

[http://www.nytimes.com/2007/04/10/business/2007\\_BUYRENT\\_GRAPHIC.html](http://www.nytimes.com/2007/04/10/business/2007_BUYRENT_GRAPHIC.html)

# L

## oan Comparison

30year vs 15year

Advantages:

Lower payment

Disadvantages:

Higher interest rate

Pay higher total to the bank

in debt much longer

Advantages:

Lower interest rate

Get out of debt quicker

Pay a lower total to the bank

Disadvantages:

Higher payments

While it would seem the 15 year loan is clearly the better option, the 30 year loan may still be the most realistic choice. In the example of the Phoenix home, the 30 year loan was almost \$200 less each month. That \$200 could be invested, and serve as an emergency fund.



## ther considerations

### PMI:

PMI stands for Private Mortgage Insurance. According to the Federal Reserve Bank of San Francisco website, “PMI is extra insurance that lenders require from most homebuyers who obtain loans that are more than 80 percent of their new home’s value. In other words, buyers with less than a 20 percent down payment are normally required to pay PMI.” (<http://www.frbsf.org/publications/consumer/pmi.html>)

According to wikipedia, “[t]ypical rates are \$55/mo. per \$100,000 financed.” ([http://en.wikipedia.org/wiki/Lenders\\_mortgage\\_insurance#cite\\_note-1](http://en.wikipedia.org/wiki/Lenders_mortgage_insurance#cite_note-1))

### Origination points:

According to Investopedia.com, origination points are “[a] type of fee borrowers pay to lenders or loan officers in order to compensate them for the role they play in evaluating, processing and approving mortgage loans. Credit history is one factor that plays a role in the amount of origination points a borrower needs to pay.” (<http://www.investopedia.com/terms/o/originationpoints.asp>)

### Discount points:

According to Investopedia.com, discount points are “[a] type of prepaid interest mortgage borrowers can purchase that lowers the amount of interest they will have to pay on subsequent payments.” (<http://www.investopedia.com/terms/d/discountpoints.asp>)

### Closing Costs:

According to themoneyalert.com, “[c]losing costs are the miscellaneous fees charged by those involved with a home sale.” (<http://www.themoneyalert.com/closingcosts.html>)

Closing costs for this project were cacluated at: [http://www.mortgageinvestment.com/Mortgage\\_and\\_real\\_estate\\_Calculators/closing\\_cost\\_calculator.htm](http://www.mortgageinvestment.com/Mortgage_and_real_estate_Calculators/closing_cost_calculator.htm)

### Prepays:

According to the Federal Citizen Information Center website, “[p]repays are advance payments (property taxes, first annual premium for homeowners insurance, etc.) made at closing by the borrower that may be placed in an escrow account and used by the lender to pay these bills as they become due. ([http://www.pueblo.gsa.gov/cic\\_text/housing/home-insure/mortgage.htm](http://www.pueblo.gsa.gov/cic_text/housing/home-insure/mortgage.htm))

# F

## inal thoughts

This project has certainly been informative, and has taken some of the mystery out of home buying. Looking at the math, and it looks like buying a home in the next few years could be a good financial move. However, until we “reach the bottom” I think all these calculations can be thrown out the window. We could still be facing large drops in housing prices, as well as rent prices. Then there are the new tax breaks, the possibility of hyper-inflation and who knows what else.

There are other realities to consider as well. Lenders aren't giving out loans so easily these days, so it's likely the only people in a position to take advantage of the failing market are those who are already financially stable. Finally we must consider the coming apocalypse, and remind ourselves of the one universal truth: Zombies don't respect property rights.

