

A HOME FOR YOUR FAMILY 3

Choosing to Rent

Finding the right place to call home can be a rewarding experience or a frustrating and financially draining one! Nearly one-third of all U.S. householders are renters. If you are considering renting, you need to make a lot of decisions about where to rent and what type of structure to rent. You also need to know your rights and responsibilities under landlord-tenant law.

Learn all you can about the rental process before you rent. The decisions you make will affect the way you live and how you get along with other family members, your eventual friendships and activities, and, all too often, your financial status. You will want to make wise decisions.

THE DECISION TO RENT OR BUY

Your first step is deciding whether to rent or buy. Renting may not be your only option. If you have saved enough for a down payment, buying may be a good choice. However, owning is not for everyone.

Advantages of Renting:

- You usually pay less.
- You don't have to pay maintenance costs.
- You have little financial risk. Current market conditions and the cost of mortgage money do not affect the renter.
- It is easier to move as job requirements, family needs, or income change.
- You avoid the cost of selling and buying when you do move.
- You may get access to special services and facilities at little or no extra cost.

Disadvantages of Renting:

- Your community may have little or no satisfactory rental property.
- You don't get the tax advantages of owning.
- You cannot get your monthly payments back as homeowners do if they sell a home for a profit.
- Your landlord may raise your rent.
- You are not free to do whatever you want to do both inside and outside of the dwelling.

KNOW WHAT YOU WANT AND CAN AFFORD

If renting seems to be your best choice, decide how you want to live. What is and what is not important to you and your family. Use the work sheet *Setting Your Priorities* to help you make decisions. When you identify the basic essentials before starting to look, you are less likely to forego an essential in lieu of a less important feature. Carry your list with you as you look.

Next determine a price range into which your rent and all other housing costs can fit. The following guideline should be considered:

Your total monthly housing costs—rent, furniture, utilities, telephone, maintenance fees, insurance, and personal property taxes—should not exceed 25 to 30 percent of your monthly take-home pay (approximately one week's take-home pay).

This guideline is an average; your situation may be different. You may choose to spend more or less of your income on housing. But

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SETTING YOUR PRIORITIES

What are your housing values? This work sheet is designed to help you think about how important each of these features is to you. Ask each person in the household to help rate each feature.

Essential: not worth considering without this feature.

Desirable: more appealing than a comparable place without this feature.

Acceptable: not a feature that you seek, but it is not objectionable.

Undesirable: would make the place difficult to accept.

Feature	Essential	Desirable	Acceptable	Undesirable
Convenient to schools	_____	_____	_____	_____
Friendly neighbors	_____	_____	_____	_____
Safe area	_____	_____	_____	_____
Quiet street	_____	_____	_____	_____
More than 2 bedrooms	_____	_____	_____	_____
More than 3 bedrooms	_____	_____	_____	_____
1-plus bath	_____	_____	_____	_____
2-plus baths	_____	_____	_____	_____
Low utility costs	_____	_____	_____	_____
Low maintenance	_____	_____	_____	_____
Space for children	_____	_____	_____	_____
Space for entertaining	_____	_____	_____	_____
Large private lot	_____	_____	_____	_____
Fenced yard	_____	_____	_____	_____
Garden space	_____	_____	_____	_____
Privacy	_____	_____	_____	_____
Attached garage	_____	_____	_____	_____
Interior space for hobbies	_____	_____	_____	_____
Exterior space for hobbies	_____	_____	_____	_____
Dishwasher	_____	_____	_____	_____
Space for washer/dryer	_____	_____	_____	_____
Fireplace	_____	_____	_____	_____

remember, this decision affects how much—or little—you have to spend for other things, such as food, recreation, or travel.

If your family or personal income is low, you may be eligible for housing assistance. Your local housing authority or social services office can advise you.

The work sheet *Evaluating Your Financial Resources* can be used to estimate your monthly housing allowance. Once you have determined your financial limits, avoid looking at housing that is beyond your budget. It will only tempt you to rent beyond what you can afford—or leave you dissatisfied with what you can afford!

KNOW WHERE YOU WANT TO LIVE

Where you choose to live may be influenced by how far it is to your work, your children's schools, shopping, your church, recreational facilities, the type and condition of neighborhood, and your need for personal security.

Transportation costs and distance from work affects what you will be able to spend for rent. If you must spend a lot of money to get to and from work, you will have less to spend for rent. If you have children in school, transportation to and from school may be an even greater factor than your transportation to and from work.

EVALUATING YOUR FINANCIAL RESOURCES
Can You Afford the Monthly Rent Payment?

Step 1. DETERMINE NET MONTHLY INCOME

Gross Monthly Income

Gross base pay (all wages and salaries other than overtime) \$ _____
 Net Profit (from business) \$ _____
 Interest and dividends \$ _____
 Other income (such as overtime) \$ _____
 Total gross income (add) \$ _____

Deductions

Income tax (federal, state, and local) \$ _____
 Social Security/retirement \$ _____
 Insurance (life, health, property) \$ _____
 Other (charities, etc.) \$ _____
 Total deductions (add) \$ _____

1. Total take-home pay (subtract deductions from income) \$ _____

Step 2: FIGURE LONG-TERM MONTHLY OBLIGATIONS (in excess of 11 months)

Installment payments on car, furniture \$ _____
 Other debt, over 11 months \$ _____
 Total long-term debt (add) \$ _____

2. Subtract long-term debt from total take-home pay (the number from Step 1). \$ _____

Step 3: MONTHLY NON-HOUSING EXPENSES

Food, beverages (home and work) \$ _____
 Transportation/auto expenses \$ _____
 Education \$ _____

Medical/dental care \$ _____
 Clothing and grooming \$ _____
 Insurance (life and health) \$ _____
 Child care \$ _____
 Gifts and charity \$ _____
 Entertainment and recreation \$ _____
 Savings \$ _____
 Other \$ _____
 Total monthly non-housing expenses \$ _____

3. Subtract non-housing expenses from final figure in Step 2. \$ _____

Step 4: ESTIMATE MONTHLY HOUSING EXPENSES

Proposed rent payment \$ _____
 Renter's Insurance \$ _____
 Allowance for utilities (heat, water, phone, electricity) \$ _____
 Allowance for furnishings \$ _____
 Maintenance or association fee \$ _____
 4. Total monthly housing expenses \$ _____

Step 5: COMPARE

Compare estimated monthly housing expenses (Step 4) with income available (Step 3). If income available from Step 3 does not equal or exceed monthly housing expenses, then you must re-evaluate your budget and resources.

Total from Step 3: \$ _____
 Total from Step 4: \$ _____

LEARN HOW TO FIND WHAT YOU WANT

As you search for housing, check with friends who may live in the areas that interest you. Read want ads and check with rental agencies. If you are moving into a new locality, your employer may be able to provide some leads.

Once you have found several possibilities, take the time to mentally "live" in each of the choices. Think about a typical day's routine for your family. Can each of your

family members get up, get ready, and get off to the day's business without running over one another? Measure to make sure your furniture will fit. Mentally "decorate" it. Is there space and facilities to do the things you want and need to do? What are the average utility costs?

If you are thinking of renting an apartment, consider problems. These might include: noise from passing traffic, other apartments, plumbing, and hallways; infrequent trash

pickup; poor parking facilities; poor maintenance of entrances, halls, and grounds; and heating and air-conditioning systems that do not work well.

The more your lifestyle is like those of the other tenants, the less likely there will be problems with the neighbors. If you have children and there seem to be few other children living there, the neighbors may complain when your children are just being children. You may want to look elsewhere.

KNOW THE LEGAL OBLIGATIONS OF RENTING

Understand Your Lease

A lease is a contract in which the landlord gives the tenant the right to use and possess property for a specified term in return for rent. The purpose of a lease is to detail the rights and duties of the tenant and landlord. To be enforceable, the lease must meet certain requirements. Both parties must be of legal age. A lease must:

- identify the tenant and the landlord,
- describe the property,
- state the lease term, and
- specify the amount of rent.

In addition, many other provisions are often put into a lease. In residential lease agreements, some of the obligations between the parties are set by law and cannot be changed by the lease. However, many provisions may be written that are more or less favorable to you. For example, the lease may prohibit you from subletting without the consent of the landlord. Or, the lease may give you the right to sublet. Negotiation on many provisions is possible.

A lease often contains a renewal clause. This may require you to give notice of renewal within a specific time before the end of the lease, or it may be automatic and require that one of the parties notify the other of the intention not to renew. Another method of renewal is holding over, which occurs if you don't leave at the end of the lease term. The landlord may evict a hold-over tenant or treat the hold over as a new lease term.

If you plan to move, you must give notice according to the provisions of your lease. If you do not have a lease, or if your lease is silent on this point, you must give notice a specified length of time before the end of the current term. For example, if the term is from year to year, you must give notice at least one month before the end of the current year. If the term is month to month, you must give notice at least seven days before the end of the month. Failure to give timely notice may obligate you for another term. For example, assume you have a lease from year to year. If it

expires in 29 days, it is too late for you to give timely notice of your intention to move. You may be obligated for another year's term. [Note: If the rental property is space for a manufactured home, the tenant must give at least one month's notice before the end of the current term, regardless of the length of the term.]

Insist on having a lease, read it carefully, and make sure you understand all provisions. If you do not understand the terms of the lease, do not sign it until you do. Verbal agreements are binding but difficult to prove. Having all agreements in writing is important.

Rights and Duties Between the Parties

For privately owned residential units, your landlord has certain obligations that cannot be changed, even with a written lease. You also have obligations to your landlord, and these obligations are mutually dependent. For example, the landlord's obligation to make repairs depends on your obligation to pay rent. Conversely, your obligation to pay the full amount of rent depends upon the landlord's obligation to provide a fit place to live. However, you may withhold rent only with court approval.

The following information lists the rights and duties between a landlord and a tenant. [Note: This information does not apply to government-subsidized housing or to commercial rental units.]

Landlord's Obligations to You

- Comply with all current building and housing codes.
- Make all repairs and do whatever is necessary to put and keep the premises in a fit and habitable condition.
- Keep all common areas of the premises in a safe condition.
- Maintain the rental unit in good and safe working order and promptly repair all electrical, plumbing, sanitary, heating, ventilating, air conditioning, and other facilities and appliances provided and required to be provided by the landlord.
- Perform any other duties required by your rental agreement.

You must notify the landlord about needed repairs in writing, except in emergency situations.

Your Obligations to the Landlord

- Pay your rent and do other things required by your rental agreement.
- Keep the premises as clean and safe as the condition of the premises permits.

- Dispose of all ashes, garbage, and other waste in a clean and safe manner.
- Keep all plumbing fixtures in the rental property as clean as their condition permits.
- Do not deliberately or negligently damage or remove any part of the premises or knowingly permit anyone else to do so.
- Comply with all obligations imposed on you by current building and housing codes.
- Be responsible for all damage or removal of property, except if it is due to normal wear and tear, acts of the landlord or his agent, defective products supplied or repairs authorized by the landlord, acts of people who are not guests of the tenant, or natural forces.
- Move out at the end of the term.

Your landlord must notify you in writing of any breach of these obligations, except in emergency situations.

Rights of Your Landlord

- To rent the property to anyone the landlord chooses, so long as there is no discrimination against a tenant or prospective tenant because of race, color, religion, ancestry, sex, country of birth, handicap, or familial status.
- To evict a tenant who violates any provision in the rental agreement that is a ground for eviction. Failure to pay rent is always a ground for eviction.
- To enter, inspect, or show the rental property at reasonable times and in a reasonable manner, if this right is reserved by the landlord.

Your Rights

- The right to exclusive possession of the rental property for the term of the rental agreement, subject to the landlord's right to enter and inspect the premises.
- The right to move out of the rental property and end the rental agreement, if after reasonable notice, the landlord fails to carry out his legal duties.
- The right to seek relief in court if the landlord fails to carry out his legal duties. The court may reduce the amount of rent the tenant must pay until the landlord meets his obligations and may award the tenant money damages.

The rights and obligations of the landlord and tenant are established both by law and by the rental agreement. If you have a question about your rights as a tenant, first check your lease. If you do not find the answer to your question in your lease, seek professional advice. Do not try to resolve the problem without first finding out what are

your legal rights and obligations. Generally, self-help remedies are not available to either the tenant or the landlord. Your landlord may not cut off utilities or lock you out of the rental property in lieu of a court procedure to evict you. You may not withhold rent to force the landlord to make repairs without the court's permission. Knowing your rights and obligations is the first step in resolving any problems with your landlord.

NOTE: The information in this publication should not be used as a substitute for seeking needed advice from attorneys and other qualified advisers.

HOW TENANTS CAN PROTECT THEMSELVES

The best protection for a tenant is prevention! It is up to you, the tenant, to prove what kind of condition the unit was in when you moved in. Before you sign a lease, or make any type of agreement, examine the premises thoroughly and carefully with the landlord or rental agent. Both parties should sign a form stating existing damages or needed repairs.

It is a good idea to take photographs at the same time. (Color slides are less expensive. File them in a safe place, like a safe deposit box.) If the landlord or rental agent will not go over the unit with you, get a witness (not a relative or roommate) to observe the move-in conditions if you really want that particular house or apartment. Sign the form and send the landlord a copy by registered mail. This will help should you have to go to small claims court to get your deposit back. Some apartment complexes have their own checklists and do this as a matter of routine. When you move, repeat the procedure to establish what, if any, damages have occurred while you lived there.

WHEN YOU MOVE IN

- Keep your relationship with the landlord business-like by reporting all problems as they occur even if you are at fault.
- Place all your communications to the landlord in writing.
- Keep a copy of your letters and receipts.
- Demonstrate your good faith by paying your rent and utility bills on time.
- Insure that your family, friends, and pets do not abuse the property or the rights of other tenants.
- Keep the property clean.

WHEN YOU MOVE OUT

- Give proper and legal written notice in advance.

- Send change of address cards to friends and notify the post office.
- Leave the property clean and in good condition (clean walls, floors, windows and mirrors, and make sure that light fixtures and bulbs work). Clean the bathroom and the kitchen, especially the range and oven. Defrost the refrigerator and freezer, and clean all cabinets and storage areas.
- Complete a security deposit checklist. Ask the landlord to go through the property with you. Ask him or her to sign a form stating that no damage was done or that you both agree to the specific charge as noted in writing.
- Return all keys and leave a forwarding address so you will receive correspondence and your refunded deposit.

LEARN ABOUT RENTER'S INSURANCE

Insurance is not just for home owners! You have a

substantial investment in your possessions. Most people would probably have trouble finding the money to replace their possessions all at once should they be destroyed.

Buy renter's insurance before you move in to cover your possessions against theft, fire, water damage, and natural disaster. These policies also protect you against claims by persons who may be injured in your apartment or house. Get the advice of a reputable insurance agent to plan for protection suitable to your needs.

The cost of a policy depends upon the exact coverage you choose, the value of your possessions, and the location and type of structure in which you live. Comparison shop among different companies, and try to find out their reputation for good service.

Because the value of your property changes with time, review your coverage periodically with your insurance agent and make any necessary adjustments (see Extension publication HE-443, *Homeowner's and Renter's Insurance*).

Adapted from the following publications:

Walls, Eleanor J. 1992. *The Renter's Guide*. Arkansas Cooperative Extension Service, Little Rock, AK.
 Peart, Virginia. 1992. *A House for Your Family: Buy or Rent?* Florida Cooperative Extension Service, University of Florida, Gainesville, FL.
 Institute of Real Estate Management. *Real Estate News*. Chicago, IL.

You may be interested in other North Carolina Cooperative Extension Service publication:

Should You Buy or Rent? HE-426
 Selecting Your House HE-427
 Choosing to Rent HE-428

Selecting the Location for Your House HE-429
 How Does the Space in Your House Rate? HE-430
 Environmental Considerations in Real Estate Transactions HE-431
 Budgeting for Home Ownership HE-432
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 House Purchase Contracts HE-438
 Furnishing Your First Home HE-439
 Preventive Home Maintenance Guide HE-440
 Homeowner's and Renter's Insurance HE-444

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