

Should You Sign a Multi-Year Lease?

If you love where you rent, you may want to consider making a bigger commitment. There is a significant financial advantage to signing a multi-year lease – and it’s a smart move if you are in a stable work environment.

Property taxes and other expenses tend to creep up each year, so a landlord will increase annual rent as an offset. Longer leases lock in your rent at a fixed rate, allowing you to more easily budget for your biggest monthly expense.

HOW IT WORKS

You’ll enjoy more financial freedom since your rent won’t fluctuate. At the same time, landlords benefit because they don’t have to worry about managing an empty space. Time and money are saved on marketing and applicant screening, and they don’t have to manage the complicated process of preparing the unit for a new tenant. With your living arrangements settled, you can more fully integrate into the apartment or condo



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REAL ESTATE 101

What’s in a mortgage payment?

Paying your monthly house note is about more than your loan. Beyond the principal, you are also paying interest, taxes and insurance. Taxes and insurance are generally one-12th of your annual responsibility. Depending on your financial situation, you may also be responsible for private mortgage insurance. **Source:** Realtor.com

community, taking advantage of its amenities. Make yourself at home in the surrounding

neighborhood, secure in the knowledge that you won’t have to leave any time soon.

COST ADVANTAGES

Rent inevitably goes up,

whether your pay does or not. Standardizing this cost is a huge stress reducer.

Studies show that most renters stay in their rental for the length of a multi-year lease, anyway. One survey found that the average renter in the U.S. remains in a multi-family building for more than 27 months. So it makes good financial sense to shift to a stable rate through a multi-year lease.

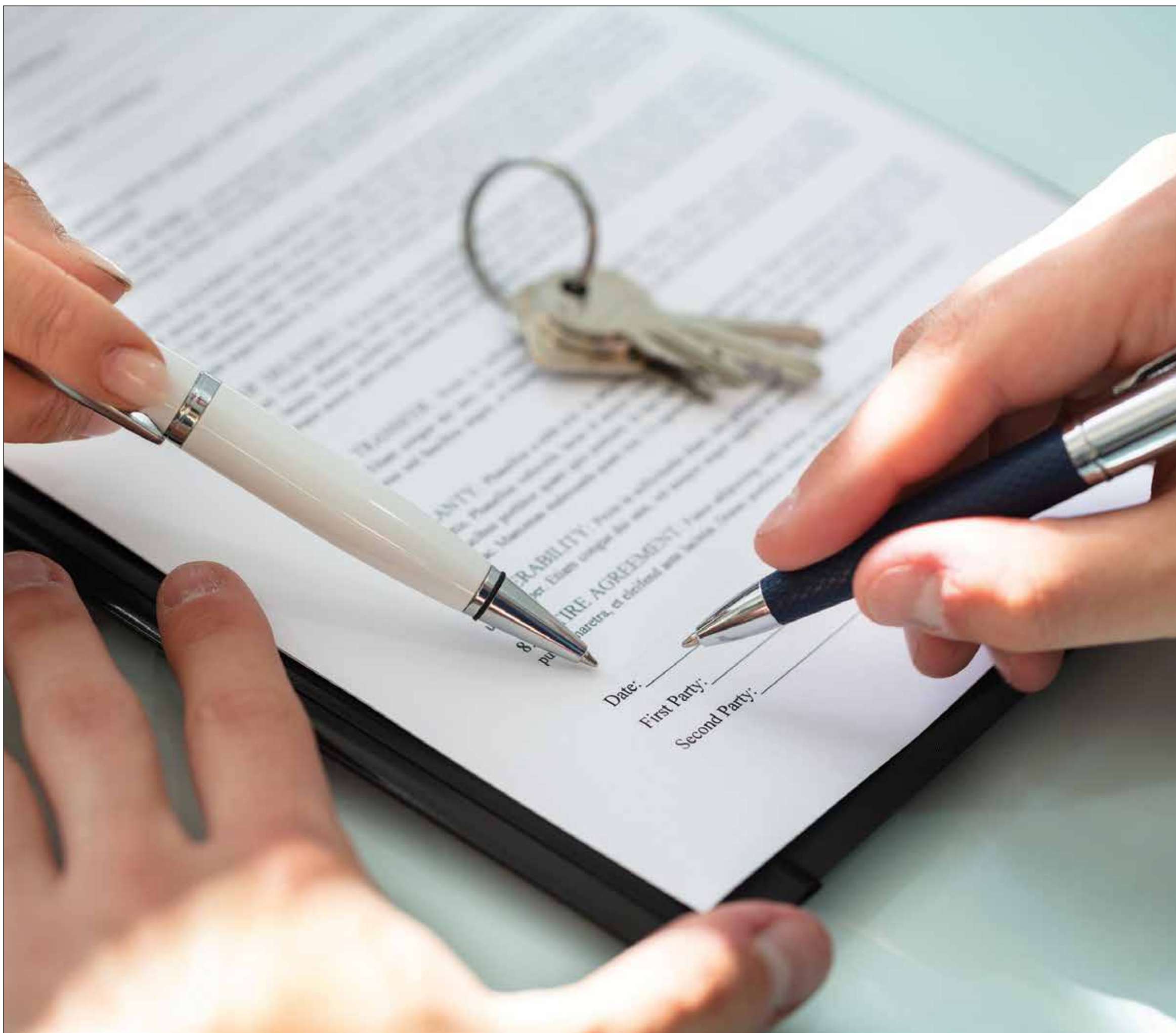
The main risk with these long-term agreements is that something happens to change your financial situation.

ASSOCIATED RISKS

Unexpected life changes like unemployment, divorce or a death in the family can happen, and you’d be stuck in a long-term commitment. You may be liable for the remainder or a significant portion of your lease if you want to move.

At the same time, those who are new to an area or in the early years of their careers may not want to be tied down to a particular location. So consider all of your options before making this commitment.

As with any lease, try to sign on for a monthly pay rate that is below the maximum of what you can afford, so you have room in your budget for other necessities.



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HOMEWISE GLOSSARY

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Negative Amortization: When adjustable rate mortgage payments are not sufficient to pay the monthly principal and interest, the deficient amount is added to the original mortgage which causes the outstanding principal balance to increase. Therefore, the amortization is negative instead of positive.. **source:** MLS.com

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