


**Standard 10:** The student will explain and compare the responsibilities of renting versus buying a home.

## Renting an Apartment

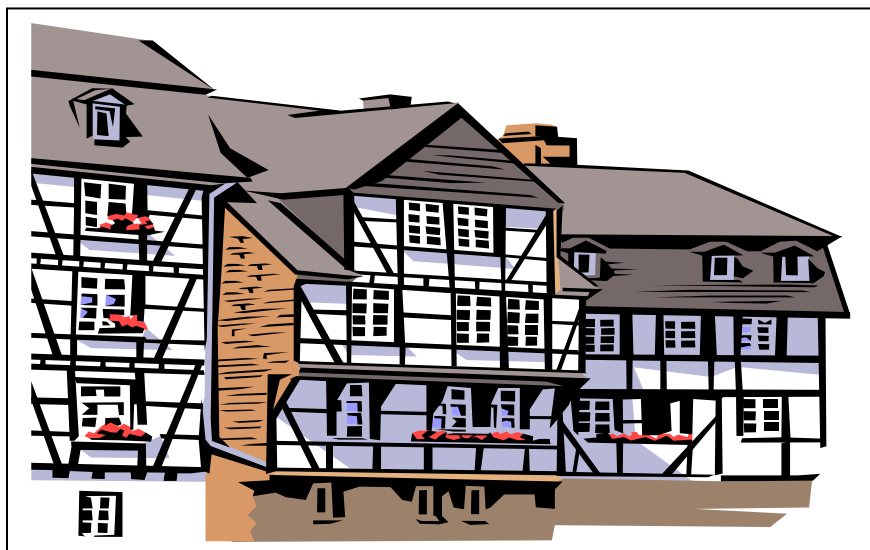
### Priority Academic Student Skills

#### Personal Financial Literacy

**Objective 10.1:** Compare the costs and benefits of renting versus buying a home.

**Objective 10.2:** Explain the elements of a standard lease agreement (e.g., deposit, due date, grace period, late fees, and utilities). 

**Objective 11.2:** Explain the purpose and importance of insurance protection as a risk management strategy (e.g., life, health, property, liability, disability, and automobile).



## Lesson Objectives

- ⇒ Discuss the reasons that people rent.
- ⇒ Explain the elements of a standard lease agreement.
- ⇒ Recognize other costs involved in leasing an apartment or house, such as deposits, late fees, and utilities.
- ⇒ Evaluate the cost and benefits of renting.

Kendall and Greenlee have been best friends for years. As the end of their senior year approaches, they decide to get summer jobs and move into their own apartment. They will continue working next fall while going to Central College. So, they want a place they can afford and is convenient to both jobs and college.

They sit down and make a list of everything they want in an apartment, they research which is available online to narrow their search, and they then schedule a time when both can look at potential locations.

Adrian and Ryan have also been buddies for several years and want to get an apartment when they graduate. Then one Saturday afternoon, they get off work and start looking for apartments. They are not sure how much they can spend, but think they can work that out after they find the right place to live.

Which set of friends has the best strategy for finding a place to live?

## Personal Financial Literacy Vocabulary

**Landlord:** A person who owns property and rents it to another.

**Lease:** A written contract specifying the terms for the use of an asset and the legal responsibilities of both parties to the agreement, such as a property owner and tenant.

**Rent:** A periodic payment for a place to live.

**Tenant:** A person who pays rent; the legal name for a renter.

## Introduction



Almost everyone will rent a place to live at some point in their lives, and convenience is probably the primary reason that people choose this housing option. Renting a house or an apartment has many advantages over buying, depending upon a person's needs. It also offers many choices to consider before signing a lease. Because a lease is a legal contract, it is important to understand the terms. Otherwise, that fun, cool place to live can become a financial nightmare.

## Lesson

**F**inding your first apartment is a big step. If you start the search knowing what you want and how much you can afford to spend monthly, it will greatly increase the potential of making a good choice. It will also help you eliminate living arrangements that do not meet your criteria, making the search less complicated and less overwhelming.

If you have decided to live with one or more roommates, you and your roommates should go through the process together. Otherwise, you may end up with unhappy roommates who do not feel obligated to keep their financial commitment. That may leave you needing to find someone else or stuck with monthly payments which are more than you can afford to pay.

### PRESENTATION

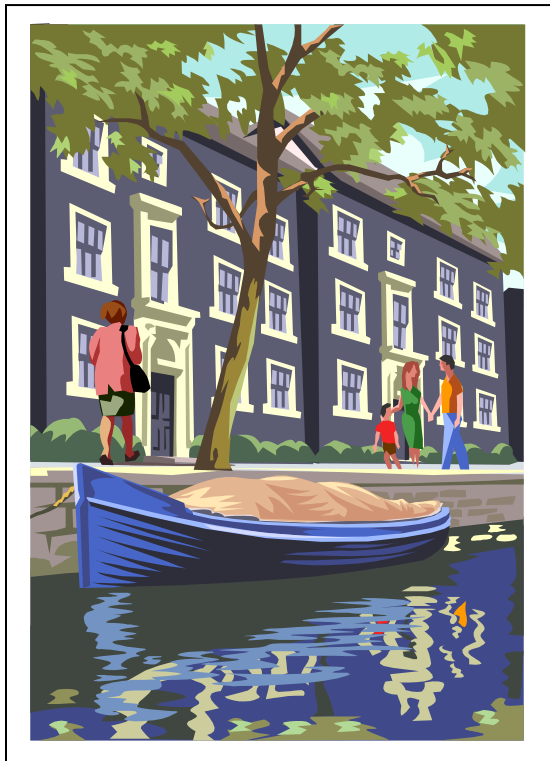
The slide presentation for this lesson outlines the content in this section. You may want to use it with your students, or print off the slides to use as lecture notes.

When setting your budget for renting a place to live, be sure to include renter's insurance. Even though your personal property may not be expensive, replacing it can be costly.

### **Advantages of Renting**

Renting offers several advantages over buying, especially for people who are unsure about their long-term housing needs or who have limited resources for a down payment. While the majority of people who rent are young, single adults, a growing number of older adults are attracted to a more maintenance-free lifestyle. Without having to worry about the cost of repairs, it is much easier to budget how much you spend in housing.

You also do not need to worry about mowing the yard or other outside maintenance if renting an apartment. Relying on someone else to take care of both inside and outside maintenance matters gives you additional time and money to spend with friends and family or other forms of entertainment. In addition, apartment complexes tend to offer a wide variety of amenities as part of your lease payment. Including everything in one payment makes it more affordable and more convenient.



Renting also allows you to be more flexible in the case of a job change or other changes in your lifestyle. If you decide to pack up and move, you only need to work within your lease requirements rather than trying to sell a house. Leases are more temporary, lasting for six months or a year. In most cases, leases will have some kind of cancellation clause allowing you to legally resolve your contract with the landlord. Selling a house generally takes much longer and has no guarantees.

When renting, your only financial obligation is the security deposit (usually one- or two-month's rent) and the monthly lease amount. Some apartments will require you to pay your own utilities while others will include utilities in the lease amount. Be sure to keep that in mind when looking for a place to live because it has an impact on how much you can afford to spend for rent.

**Disadvantages of Renting**

Renting, of course, also has several disadvantages. These include a lack of control over the property and a lack of privacy. When renting, the owners or managers of the property are responsible for all repairs and general upkeep. However, if they do not respond quickly, you may be stuck living in a less-than-desirable situation with leaky faucets, broken windows, or other problems. If you are paying the utility bills and have to go for several months with a leaky faucet, it increases your water bill. Broken windows or other problems can become safety or health issues when the landlord fails to respond to your request for repairs.

In addition, renting a house or an apartment may include several restrictions. For example, you may not be allowed to redecorate by painting the walls with your special color or to put nails in the walls to hang your favorite pictures. Landlords may also limit the number of overnight guests, not allow pets or children in the apartment, and place other controls on your personal behavior. Each of the restrictions should be spelled out in the lease or contract. Very carefully read the document before signing the lease and moving in. Once there, you are obligated to abide by whatever conditions are agreed to in the contract.

Renting also does not allow you to build equity or get any tax benefits, both of which are important considerations for homeowners. However, the reduced cost or obligations with renting may offset these expenses.

Because finding a place to live is a personal choice, the advantages and disadvantages are also somewhat personal. List in the table below what you believe are the top three advantages and disadvantages to renting a place to live.

Advantages	Disadvantages
1.	1.
2.	2.
3.	3.

**TEACHING TIP**

Put students in groups of two to make decisions about an apartment based on different budgets. Use newspaper ads or online searches to find potential apartments. Have students make a list of their priorities. Have students report back to class on how they compromised with their “roommate.”

## Reading a Lease

You may be in the habit of clicking on “I agree” without reading the agreement when visiting different Web sites or downloading different software. That is probably not the best choice to make because you have just agreed to the terms of a contract.

While those software contracts may seem routine, little is routine about a **lease**. Signing a lease without taking the time to read and understand the terms can jeopardize your rights and responsibilities with your future landlord, and get you into big financial trouble. Leases are designed to protect both your rights as a tenant, and the owner’s or manager’s rights as a landlord. While individual leases may look different, all of them should contain basically the same information. Once signed, they are binding, legal contracts that are enforced by law.

### **LEASE TIP**

Never sign a lease without reading it carefully and understanding the terms!

Leases are required to follow the state’s rental laws, but can vary in what they permit you and your landlord to do or not do. It is never a good practice to sign a lease without knowing what it says.

Following are several essential points you can expect to find in a lease:

- **Landlord information.** Most landlords are either individual owners or from a property management company. In either situation, the lease should specifically identify the landlord and how to contact them.
- **Tenant names.** Include the names of ALL roommates on the lease because only those people listed on the lease are covered by the terms. Failing to list a roommate leaves you responsible for everything — late fees, terminating the lease, damages to the property, etc. Listing all names is the only way to protect yourself in case anything happens.
- **Apartment address.** Your lease should include both the street address and the exact number of the apartment you agree to rent. Do not sign unless the correct apartment number is



included; otherwise, you could be held responsible for someone else's apartment.

- **Rent.** The lease should indicate the exact amount of rent and how often it is paid (i.e., weekly, bi-weekly or monthly). Be sure it also includes information on late fees, how fees are assessed, how rent must be paid, and any other conditions for paying your rent.
- **Additional fees.** Landlords may charge additional fees for certain services, such as replacing a key, allowing pets, carports, and so forth. All fees should be included in the lease along with the terms for paying them.
- **Services paid by the landlord.** If the landlord is paying for water or any other utilities, be sure it is clearly stated in the lease.
- **Security deposit.** A security deposit represents money the landlord can use for cleaning fees or repairs to the apartment when you move out. The amount of the security deposit should be stated in the lease, along with any possible deductions subtracted and how the balance will be returned to you.
- **Policies.** If pets are not allowed on the premises, if children can visit only during specific hours, or if waterbeds are not allowed, these provisions should be stated somewhere in the lease.

Other potential stipulations that should be clearly stated include policies about painting, wallpapering, hanging pictures, or making any other changes to the apartment. If something is not stated, be sure you get a written addendum (an additional agreement) before making alterations to the apartment. Your lease may also address visitors and how long they can stay. Some leases may require a visitor to start paying rent after a certain period of time.



Policies on repairs, subletting, rental insurance, and other requirements should also be listed in the lease. Remember, when you sign the lease, you are agreeing to abide by all of the policies stated.

- **Lease start date and end date.** The start date is the first day of your lease, and the day you assume responsibility for the apartment. The end date is the last day of your lease, and the day you need to vacate the premises or sign a new lease. The start and end dates show the duration of your lease, which means it is active only for this period of time. With an active lease, you are obligated to pay the



rent. The landlord cannot lease the apartment to anyone else during this time. Be sure you understand any terms for signing a new lease or moving out.

If you sign a month-to-month rental agreement, it should indicate when the lease begins, and how much notice you must give before terminating the agreement and moving out.

With a regular lease, landlords must go through a formal eviction process to require you to move. However, with a month-to-month agreement, the landlord can ask you move at any time as stated in the agreement.



Also, be sure you understand the terms for terminating a lease before the end date. Early termination generally requires some kind of penalty; knowing your responsibilities before you sign will help minimize any surprises later on.

- **Landlord's right of entry.** This section of your lease will explain the conditions under which a landlord may legally enter your apartment, whether or not your permission is required, how much notice you must be given, and any other specific details. In emergency situations, most states give landlords the right to enter your apartment without notice; however, the more information you have in advance, the better.
- **Everyone's signatures.** Everyone named in the lease must sign the lease for it to be legally binding. The lease is not valid if only the tenants or the landlord signs it. If more than one tenant's name is listed, everyone needs to sign the lease; otherwise, those who sign will be held liable for all terms of the lease.

Leases may include other types of information your landlord wants you to know. It is important to remember that a lease is a contract, and under state law, all parties who sign a contract have agreed to abide by all of the terms – not just those you like. If you have other questions about your rights and responsibilities, be sure to ask them before signing the lease.

#### LEASE TIP

Most landlords will ask you to inspect your apartment before you move in and make note of any needed damages or repairs. Be sure you do a thorough inspection and report anything that needs work as requested. Otherwise, you may be held responsible for the damages.

You also have every right to ask the landlord to put anything in writing that is not included in your lease. It is then the landlord's option to decide whether or not to comply with your request. Be very cautious if they will agree verbally, but not in writing.

If you are unhappy with any terms of the lease or know that you will not be able to keep them, do not sign. You may ask for an exception, but do not be surprised if the landlord says no. If the landlord agrees to any exceptions in the lease, you must have it in writing to be enforced.

### **Congratulations on Your New Apartment**

Once you have signed the lease, it is now your apartment! You can begin the process of making it feel more like home by moving in your personal items and carefully shopping for other things you need. Thrift stores, discount merchants, yard sales, and other similar sellers provide inexpensive options for decorating or for the basics. Overspending on high dollar decorations or furniture can easily lead to credit card debt, so proceed cautiously.

Regardless of how much you spend on your personal items, purchasing renter's insurance will help provide you with the additional security you need to protect them. Apartments are frequently at high risk for theft because there are so many people living within a confined area. In addition, you are at risk for fire or other disasters beyond your control.



**COMPLETE: Leasing Lingo – Activity 10.2.1**  
Review student answers before continuing with this lesson.

What have you learned from this lesson?



## Conclusion

Finding your first apartment is an exciting adventure. You may find townhouses, flats, small complexes with a lot of personality, or new complexes that feel like a resort. In your search, you may find places that make you feel safe and places that make you feel uncomfortable. In some cases, the landlords will pay all of the bills; in other cases you will be responsible for your own utilities. Each complex or rental unit will have something you like or dislike, and they will all provide an opportunity for you to decide which best meets your needs.

Taking the time to put together a checklist of what you want and do not want will help you make an informed choice. The amount of money you pay for a place to live will be one of the most costly expenditures you make. Making a rational decision with your head, and not your heart, will help make it a good financial choice without busting your budget.

*Kendall and Greenlee have certainly given a lot more thought to what they are doing. As a result, they will undoubtedly make a better choice than Adrian and Ryan.*

*As with any financial decision, you will always improve your chances of making a better choice when taking the time to have a plan. Any plan should include enough information to make a knowledgeable, informed choice instead of just guessing or hoping for the desired outcome.*

Name: \_\_\_\_\_ Class Period: \_\_\_\_\_

## Renting an Apartment Review Lesson 10.2

**Answer the following questions and give the completed lesson to your teacher to review.**

1. Which of the following is an advantage to renting a place to live?
  - a. Limited expenses for maintenance.
  - b. Limited expenses for utilities.
  - c. Limited options for size and location.
  - d. Limited rights for redecorating.
2. Which of the following is a disadvantage to renting a place to live?
  - a. Finding a roommate.
  - b. Finding a place that meets your needs.
  - c. Finding a lease you can understand.
  - d. Finding an apartment you can redecorate.
3. The terms of a lease should include all of the following EXCEPT the
  - a. amount of the rent and any late fees.
  - b. names of the persons who live next door.
  - c. policies you are expected to follow.
  - d. names of all roommates and the landlord.
4. When signing a lease, it is recommended that you
  - a. give it a quick review and sign before someone else gets the apartment you want.
  - b. read carefully and sign even though you are not sure what some of the terms mean.
  - c. read carefully and sign only when you understand what everything means.
  - d. read carefully and sign, even though you know that you will not agree to all of the terms stated.

5. Renting an apartment should involve

- a. making an emotional decision because you want to be happy where you live.
- b. setting a strategy to get what you need for the amount you can afford.
- c. setting a strategy to get what you want, even though it is more than you can afford.
- d. making a decision based only how much it will cost to live there.

## Leasing Lingo – Activity 10.2.1

*Define the following terms important to know when renting a place to live.*

1. LEASE

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2. TENANT

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3. LANDLORD

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4. AMENITIES

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5. SECURITY DEPOSIT

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6. UTILITIES

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**7. RENTER'S INSURANCE**

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**8. ROOMMATE**

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**9. EARLY LEASE TERMINATION**

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**10. TERMS OF A LEASE**

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