



Renting an Apartment

Standard 10

The student will explain and compare the responsibilities of renting versus buying a home.

Lesson Objectives

- Discuss the reasons that people rent.
- Explain the features 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.

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.

Utilities: A basic service such as electricity, gas, water, or telephone.

Introduction

Kendall and Greenlee have been best friends since first grade. 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. They want a place they can afford and is convenient to both their jobs and college. They sit down together and make a list of everything they want in an apartment, they research what is available online to narrow their search, and they then schedule a time when both can look at potential locations.

Adrian and Ryan have been buddies for several years and want to get an apartment when they graduate. One Saturday afternoon, they get off work and start looking for apartments. They are not sure how much they can spend, but they plan to 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?

Lesson

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 your specific needs. Renting also offers many different choices to consider, but almost all of them will require you to sign a lease agreement as part of the renting process. A lease is a legally binding contract, so it is important to read and understand the terms and conditions outlined in your lease before signing your name.

If you have a good idea of what you want and what you can afford before you start looking for a rental, it will help you eliminate those places that do not meet your criteria, making the search less complicated and overwhelming. When determining what you can afford to pay in rent, be sure to include the cost of getting renter's insurance. Even though your personal property may not be expensive, replacing it can be costly. Renter's insurance is usually inexpensive and covers theft or damage to your personal property, but not to the structure. It may also include liability insurance in case someone is hurt inside your apartment.

Many young people want to have a roommate when getting their first place to live; therefore, it is important to work together to set the criteria, the payment arrangements, and the total monthly rent before starting to look for a place. While having one or more roommates can reduce your monthly payment, it can also create other issues that need to be discussed. In addition, it is important to choose a roommate carefully to ensure they will keep their financial obligations and treat you and your personal property with respect. Otherwise, you may be stuck in a situation with payments more than you can afford and with a person you dislike or cannot trust.

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 also attracted to renting because it is much easier to plan exactly how much they will pay on housing costs each month.

In addition, you generally do not need to worry about mowing the yard or other outside maintenance when renting an apartment; however, that may or may not be true when renting a house. 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 (fitness center, covered parking, swimming pool, club house, etc.) as part of your monthly rent payment. Having everything in one payment makes it more affordable and more convenient.

Renting also tends to give you more flexibility in case you change jobs or experience other changes in your lifestyle. If you decide to pack up and move, you only need to work with your landlord on your lease requirements rather than trying to sell a house. Most leases last for either six months or a year and 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 basic living expenses tend to include your monthly rent payment, your security deposit, your insurance payment, and your utilities. A security deposit is usually one or two months of rent that is paid when you move into the apartment and held by the owners to cover any damages to their property or cleaning fees. Some apartments will require you to pay your own utilities while others will include utilities in the lease amount. If paying your own utilities, you may also be required to pay a deposit with each of the utility companies. The rule of thumb is that your rent should be no more than 30 percent of your gross income or 25 percent of your net income for your housing expenses. Be sure to keep these factors in mind when looking for a place to live because they can impact how much you can afford to pay in 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 end up 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 requests for necessary 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, limit or not allow pets, and place other controls on your personal behavior. Each of the restrictions should be spelled out in the lease or contract, which makes it critically important to read and understand everything in 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.

While renting may not allow you to get many benefits of owning a home, it does provide you with a place to live and may reduce your overall monthly expenses and obligations.

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 can 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.

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 terms and conditions 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 (if leasing an 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, when the rent payment is due, 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 from the deposit and how the balance will be returned to you.
- **Policies.** All policies, restrictions, and requirements should be clearly stated in the lease. For example, the lease should explain the policy on pets, visitors, waterbeds, parking, and other potential issues that can arise such as painting, wallpapering, hanging pictures, or making any other changes to the apartment. If something is not stated in the lease, 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.

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, often called early lease termination. Early termination generally requires some kind of penalty; knowing your rights and 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 or more than one person is living in the apartment, then 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, you have agreed to abide by all terms and conditions in the lease once you sign it — not just those you like. If you have any questions about your rights and responsibilities, be sure to ask those questions before signing the lease. 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. It is also a good practice to inspect the apartment before you move in, taking pictures of any damage or repairs that need to be made and addressing those with the landlord.

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.

When renting your first apartment, it may be helpful to have someone more experienced with leases or contracts go with you to help you understand the terms.

Once you have signed the lease, it is now your living space! 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 unplanned spending and debt, so proceed cautiously.

REMINDER

Renting a home or an apartment does not give you ownership benefits. But renting does provide a place to live and can reduce costs associated with an owning a home.

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. No matter where you live, you are at risk for fire or other disasters beyond your control.

Conclusion

Finding your first place to live 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.

FINAL NOTE: 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 you take the time to have a plan and then follow that plan. Any plan should include enough information to make a knowledgeable, informed choice instead of just guessing or hoping for a good outcome.

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Name: _____ Class Period: _____

Renting an Apartment Review 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. You have limited expenses for maintenance.
 - b. All apartment complexes have a lot extras, like swimming pools and fitness centers.
 - c. You do not need to buy any insurance.
 - d. You have limited options for size and locations.

2. Which of the following is a disadvantage to renting a place to live?
 - a. You can only live there for a limited period of time.
 - b. You always pay your own utilities.
 - c. All apartment complexes are large and noisy.
 - d. You may not be able to repaint or remodel when you want.

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.

Name: _____ Class Period: _____

Leasing Lingo Activity 10.2

Define the following terms important to know when renting a place to live; return this answer sheet to your teacher when you have completed the assignment.

1. LEASE: _____

2. TENANT: _____

3. LANDLORD: _____

4. AMENITIES: _____

5. SECURITY DEPOSIT: _____

6. UTILITIES: _____

7. RENTER'S INSURANCE: _____

8. ROOMMATE: _____

9. EARLY LEASE TERMINATION: _____

10. TERMS OF A LEASE: _____
