

Buying Versus Renting In Exercises 13 and 14, compare the costs of buying the home and renting a comparable home for \$1600 per month. (See Example 5.)

13. You take out a home mortgage for \$224,000 for 30 years at 5%. After 5 years, you move to a different state and sell the home for \$294,280. Assume that if you did not buy the home, you could have invested the down payment and earned \$12,000 in interest.

Expenses and Savings Related to Buying

Cost of home: \$280,000	Realtor's fee: 6% of cost of home
Down payment: \$56,000	Home insurance: \$1400 per year
Mortgage: \$224,000	Property tax: 2.5% of cost of home per year
Monthly payment: \$1202.48	Home repairs: \$15,000
Closing costs: 5% of cost of home	Income tax savings (interest): \$11,000

14. You take out a home mortgage for \$200,000 for 30 years at 4%. After 6 years, you move to a different city and sell the home for \$281,540. Assume that if you did not buy the home, you could have invested the down payment and earned \$13,000 in interest.

Expenses and Savings Related to Buying

Cost of home: \$250,000	Realtor's fee: 5% of cost of home
Down payment: \$50,000	Home insurance: \$1300 per year
Mortgage: \$200,000	Property tax: 1.4% of cost of home per year
Monthly payment: \$954.83	Home repairs: \$16,000
Closing costs: 3% of cost of home	Income tax savings (interest): \$9000

Price-to-Rent Ratio In Exercises 15 and 16, find the price-to-rent ratio.

15. The cost of a home is \$162,000. The rent for a comparable home is \$800 per month.
16. The cost of a home is \$156,000. The rent for a comparable home is \$700 per month.

Housing Bubble In Exercises 17–20, use the graph on page 279. (See Example 6.)

17. Suppose home prices followed the pre-bubble trend.
- What would have been the price of a home in 2006?
 - How much more was the actual price of a home in 2006?
18. Estimate the percent change in home prices from 2004 to 2010.
19. Estimate the percent decrease in home prices from 2007 to 2009.
20. Compare the percent increase in home prices from 1989 to 1998 to the percent increase in home prices from 1998 to 2007.

