



Dragon Legal Digest

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CONTENTS

- ◆ **PCS PRIMER: RENTING VS BUYING AND HOW TO GET THE BEST MORTGAGE DEAL**
- ◆ **SCRA AND REAL ESTATE LEASES**
- ◆ **CONTACT US**

PCS is Here! Should We Rent or Buy?

The summer is here and that means it's permanent change of station season. The number one question we should all ask ourselves during a major move is whether it is best for ourselves and our families to rent or buy our next residence. There are substantial costs and benefits associated with each option.

SHOULD I RENT OR BUY? Renting provides the most flexibility with the least amount of risk of having to cover any of the unpredictable, yet inevitable expenses associated with homeownership. If you need to move on short-notice, you and your family will likely be able to break a lease with greater ease than you would have trying to sell a home (usually takes at least 45-60 days). On the other hand, homeownership is often considered to be a cornerstone of the American dream, and brings a great source of pride and feeling of accomplishment to those who achieve it. The financial benefits are numerous: On average, home values have a historic appreciation rate of 2 percent per year, which you will enjoy upon resale. Plus, there are federal and state tax deductions available to homeowners that are not enjoyed by renters. Mortgage Interest and local ad-valorem taxes paid on your primary residence can offset your taxable income, thereby lowering your total taxes owed each April 15th. And, the monthly mortgage payments you make slowly build equity that you can later tap into for future use. However, the risks are clear: if something breaks, it's on you to fix it, which is why it is so important to have a thorough home inspection completed before you purchase, and should consider requesting a home warranty.

GET THE BEST MORTGAGE: First, shop around for the best deal. Get at least three pre-approvals from loan officers and mortgage brokers. Evaluate the upfront costs, fees, and "points" that will increase your required down payment. If you do not have the customary 20% to put down up front, consider utilizing your VA benefits for a zero-down loan, but remember there's typically an up-front funding fee. Non-VA loans with less than 20% down payment usually carry with it monthly payments of Primary Mortgage Insurance (PMI) which can eat into a family's budget quickly. Even with these fees, the market is experiencing historically low interest rates, which often make the costs associated with homeownership lower than renting. Finally, compare the differences between 15, 20, and 30-year mortgage terms, as well as the interest rates associated with each.

BOTTOM LINE: The best decision as to whether to rent or buy your next home is an individual choice and one that should be made after reviewing your current financial status, your budget, the time you plan to remain in the home, and your future immediate, mid-term and long-term plans and goals. If you decide to buy, be sure to shop around for the best deals, lowest loan interest rates, lowest fees, etc. Either way, make sure you fully understand all aspects of the mortgage or lease documents before you sign!

SCAN THE QR CODE
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SCRA and Real Estate Leases

Eligibility for SCRA: All active duty personnel; all service members in Title 10 status; and all dependents of these servicemembers. **NOTE:** If you break a lease, an unmarried significant other may still be contractually bound under the lease!

In order to terminate a lease under SCRA, the service member must:

- (1) Deliver a written notice of such termination; AND
- (2) Deliver a copy of the servicemember's military orders to the lessor.

When is the termination effective?

In the case of a lease that provides for monthly payment of rent, termination of the lease is effective **30 days** after the first date on which the next rental payment is due and payable after the termination notice is delivered.

Example: Your rent is due on the first of the month. You submit your termination notice and copy of your military orders to your lessor on 15 July. Your lease terminates effective 1 September (30 days after 1 August, the start of your next period).

Can the lessor impose an early termination charge?

No, but any taxes, summonses, or other obligations and liabilities of the lessee IAW the terms of the lease, including reasonable charges to the lessee for excess wear, that are due and unpaid shall be paid by the lessee.

SCRA provides servicemembers a large number of protections, including but not limited to terminating automobile leases and capping interest rates in certain scenarios. If you have questions about SCRA, please talk to JA!

CONTACT US



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Don't forget to send us or bring in your ticket number!

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