



Renting a Home

***What Can
You Afford?***

Renting A Home: What Can You Afford?

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Before looking for an apartment, it is important to determine how much money you can spend on housing. Housing represents a large percentage of almost everyone's budget and includes not only the rent but energy and other housing expenses. Your total monthly payments for rent and utilities should not exceed 25 to 30 percent of your monthly take home pay.

Spend some time reviewing your personal finances. If you will be sharing an apartment with one or more roommates, each of you should develop a budget that includes your portion of the rental expenses. The decision to spend more or less of your income for housing affects how much or how little you will have for other things such as food, clothing, transportation and recreation. Once you set the financial limits, consider only places within that range. By doing this, you are not tempted to overspend on housing and strain your budget.

It is important to make your rental and utility payments on time. Doing so shows you have a strong payment history and adds to your record of responsible financial management. Your financial record is considered in the home-buying process or any other loan application process.

If heating, electricity, water, sewer and trash collection costs are not included in the rent, you need to include them in your budget. Include renters insurance in the housing budget. Also, if you have cell phone service, you may not need a telephone line to your apartment.

Furniture can be another housing expense. If the rental unit is unfurnished, furniture (and possibly one or more major appliances) will have to be purchased or rented. When you add that cost to the rental budget, you may find that a furnished apartment will cost less.

Transportation is an indirect housing expense. The distance you have to commute to work or school is a factor in your budget. Calculate the transportation expenses for one month for each rental unit and add that to the cost of the unit. This will help you make cost comparisons among the apartments you consider.

Use the Rental Budget Work Sheet to determine how much you can afford.

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Rental Budget Work Sheet

1. **Monthly take-home pay** (after payroll deductions) \$ _____

Monthly expenses for:

Savings \$ _____*

Food \$ _____

Clothing and personal care \$ _____

Transportation \$ _____

Medical/Dental care \$ _____

Child care \$ _____

Life and health insurance \$ _____*

Education \$ _____

Entertainment and recreation \$ _____

Telephone/Cell phone \$ _____

Other regular expenses:

Installment loans \$ _____

Credit cards \$ _____

*Leave out this item if it is already included in your payroll deductions.

2. **Total Monthly Expenses** \$ _____

Monthly housing expense:

Rent \$ _____

Furniture/Appliance Rental \$ _____

Utilities:

Heating/Cooling \$ _____

Electricity \$ _____

Trash Collection \$ _____

Water & Sewer \$ _____

Renters Insurance \$ _____

3. **Total monthly housing expense** \$ _____

4. **Percent of housing cost** [divide total in No.3 by total in No.1] _____ %
(Percent of housing cost should not be more than 30 percent of take-home pay.)

Adapted from: Leona K. Hawks, *Apartments*, Utah State University, Logan UT.

This resource is one in a series on Renting a Home which include:

Deciding to Rent

Advantages and Disadvantages of Renting
Who Will Live There? More About Roommates
What Can You Afford?
What Do You Want?

Finding a Home to Rent

Finding a Rental Unit
Comparing Rental Units
Renting a House
Renting With an Option to Buy

The Rental Process

The Rental Application
Your Right to Fair Housing
Rental Contracts

Legal Aspects of Renting in New Mexico

Regulation of Rental Contracts
New Mexico Rental Law
Military Personnel

Moving Into Your Rented Home

Renters Insurance
Verifying the Condition of the Rental Unit

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