



Locating a Home

The Set Up:

George and Ellen Pence, a couple in your community, are ready to buy a home. The Pences are currently renting a two-bedroom apartment and would like to own their home and possibly have more space for their growing family. Since setting a budget for family expenses four years ago, they have had two children, Thomas and Maria. Despite the additional expenses that come with having a three-year-old child and an infant, the Pences have managed to save \$5,000.

Since having the children, Ellen decided to stay at home. George's monthly disposable income totals \$2,000.00. While she greatly enjoys her time at home with the children, Ellen has considered returning to work to help them afford mortgage payments. Her monthly disposable income is expected to be about \$1,100. A local daycare center has two full-day openings, and the family's weekly daycare expenses at that center would be \$210 for both children.

Their current household budget is below.

Current Expenditures	Dollar Amount
Short-Term Saving	\$ 60
Long-Term Saving	\$140
Housing/Insurance	\$620
Food	\$300
Car Payment	\$240
Car Expenses/Gasoline	\$80
Utilities	\$160
TV/Cable/Dish	\$40
Phones (2 cells)	\$40
Clothing	\$80
Entertainment/ Recreation/Eating Out	\$80
Credit Card (\$1200 balance)	\$100
Miscellaneous Expenses	\$60



The Investigation:

The Pence family has several things it needs to consider before they begin looking for a home to buy. They need your help to locate homes in your area that meet their budget requirements and compare financing options. They'll need to determine what their minimum requirements are for a home (number of bedrooms, number of bathrooms, etc.) and whether or not those types of homes will fit into their budget. In addition, they will have to consider whether or not Ellen should go back to work (i.e., whether disposable income her job would add to their household budget would help them afford the home they want). For this project, you will use the Internet and technological resources to locate homes in your area and compare financing options.

Work It Out:

1. Determine an appropriate housing budget for the Pence family. Explain whether or not you believe Ellen should return to work. Based on that decision, estimate a likely reasonable housing budget for the Pence family. You may consider reviewing materials from Theme 3, Budgeting, to help determine an appropriate housing budget for the Pence family.



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6. Determine true monthly payment for the selected homes. To determine the closing costs, you will need to determine the true monthly payment. The following steps will help you calculate the true monthly payment:
 1. Take the monthly payment (principal and interest) that you calculated from the previous step and add to it a property tax estimate and a home insurance estimate.
 2. Calculate the property taxes based on an average of \$4.00 per \$100 that you own (e.g. A \$100,000 would cost \$4,000 per year). Divide this out per month.
 3. Calculate the home insurance. Home insurance costs can be dependent on many factors, but a typical estimate of \$900 annual serves as a guideline. Divide it out per month.

7. Determine the move-in costs for the homes you selected as rental possibilities. Figure the move-in costs by totaling the deposit cost and the first month's rent. Find the deposit cost for each rental house or estimate the deposit at the first month's rent if a deposit amount is unavailable. We will apply for rental insurance together as a class to see what questions are asked and what a typical quote (price) might be.

Consumer Scene Investigation Grade Sheet

CSI 11 - Locating a Home

- Competencies:**
- MM.6: Evaluate how insurance (e.g., auto, home, life, medical and long-term health) and other risk management strategies protect against financial loss.
 - SC.1: Compare the benefits and costs of alternatives in spending decisions.
 - SC.2: Evaluate information about products and services.
 - SC.3: Compare the advantages and disadvantages of different payment methods.
 - SC.4: Analyze the benefits and costs of consumer credit.
- Objectives:**
- D: Evaluate the costs and benefits of buying, leasing or renting. (SC.1, SC.2, SC.3)
 - E: Analyze financing options of consumer purchases. (SC.4, SC.6)
 - F: Evaluate various forms of insurance coverage. (MM.6)

Name: _____

Date: _____

Criteria:	5	4	2	1	Total:
Housing Budget	housing budget decision was accurate and based on all relevant factors.	Housing budget was inaccurate but based on all appropriate factors.	Housing budget was inaccurate and based on some appropriate factors.	Housing budget was inaccurate and not based on relevant factors.	
Information - Buying	Information was accurate, relevant and useful in figuring out the rest of the project.	Information was missing minor points but would be usable for finishing the project.	Information included was missing a lot of the features and made the project confusing.	Information was inaccurate or missing and did not meet expectations.	
Information - Renting	Information was accurate, relevant, and useful in figuring out the rest of the project.	Information was missing minor points but would be usable for finishing the project.	Information included was missing a lot of the features and made the project confusing.	Information was inaccurate or missing and did not meet expectations.	
Interest Rate	The interest rate was determined correctly and the process was used properly.	The interest rate was determined accurately for one of the two houses with both types of loans.	Interest rates were inaccurate.	Interest rates were not determined properly.	
Monthly Payment	The monthly payments were calculated correctly, and no errors were evident.	The monthly payments were calculated with 1 error.	The monthly payments were calculated with 2 errors.	The monthly payments were calculated with 3 or more errors.	
Rental Payments	The move-in costs were calculated correctly, and no errors were evident.	The move-in costs were calculated with 1 error.	The move-in costs were calculated with 2 errors.	The move-in costs were calculated with 3 or more errors.	
				Total:	