

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:

 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.



2. Locate a home in your area for the Pence family. Make a list of features you believe would be desirable and appropriate for the Pence family. Visit the web site www.realtor.com and fill out the questions appropriately. Get listings of at least two houses that come close to meeting the Pence family's needs. Paraphrase the features and information listed under the picture of each house, give at least five important or unique features of the house (from the list), and state the listing office and the price.

3. Help the Pence family consider all of their options in case they should continue to save. Explore rental opportunities in your area for the Pences. Next, go to http://www.apartments.com/Default.aspx and locate two homes the Pence family could rent. Paraphrase the features and information for each house, give at least five important or unique features of the house (from the list), and state the listing office and the price.



4. Determine the financing options for the homes you selected that the Pence family could purchase. Go to the web site www.mortgageloan.com and click on "Current Interest Rates." Check the current rates in the location(s) that you found your homes. You will need to write down the lowest interest rate for a 15-year fixed and 30-year fixed conforming loan. Stay on this website for the next question.

5. Figure the monthly payments at 15-year and 30-year loans for the homes you selected for the Pence family. After you find the interest rates, go to www.mortgageloan.com again and click on mortgage calculators, then go to mortgage payment calculators. Use the formula provided to enter your cost and interest numbers. The term (the number of years to pay off the loan) in years should be either 15 or 30. You will need to calculate for each house using a 15-and 30-year loan, based on interest rates found earlier. The loan amount should be the cost of the house that you found. Click on calculate to compute the monthly payment for the house. Again, you need to calculate the monthly payment of a 15-year and 30-year loan for all six houses.



- 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:
 - 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.



THEME 7 Consumer Skills

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)



THEME 7 Consumer Skills

| 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: | |