



# for Grades 9-12 Student Guide



## HOMEOWNERSHIP & RENTING - STUDENT GUIDE



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# RENTER'S REVIEW

**Name:** \_\_\_\_\_

Review the rental costs at Pine Woods Apartments outlined below. Compare these costs with your estimated income and rental and living expenses, and then answer the following questions.

## THE CHALLENGE

You have \$500 in savings and \$125 in cash. You start a full-time job and your take-home pay is \$1,400 a month.

You are currently living with your parents and only have to pay a monthly car payment of \$195 and a cell phone bill of \$56. You also spend about \$100 on gas and have been saving \$50 a month. That leaves you with about \$800 each month for entertainment, food/eating out, personal expenses, and additional savings toward an apartment.

You are anxious to move out on your own. You begin to look at one- or two-bedroom apartments at the Pine Woods Apartments to determine whether you can afford it yet.

<b>Pine Woods Apartments: Rental Expenses</b>	<b>1- Bedroom</b>	<b>2- Bedroom</b>
Security Deposit:	\$500	\$650
Application Fee:	\$10	\$10
First Month's Rent:	\$400	\$550
<b>Total to Move In:</b>	<b>\$910</b>	<b>\$1,210</b>

<b>Income</b>	
Savings:	\$500
Available Cash:	\$125
<b>Total Initial Funds:</b>	<b>\$625</b>
<b>Total Monthly Funds:</b>	<b>\$1,400</b>

## RENTER'S REVIEW (continued)

<b>Estimated Living Expenses if Renting</b>	
Utilities (for example: water, electric/gas, cable, Internet, and phone):	\$200
Food:	\$200
Car payment:	\$195
Car insurance:	\$75
Gas:	\$100
Cell phone:	\$56
Savings:	\$50
<b>Estimated Total:</b>	<b>\$876</b>

1) Based on your total initial funds, can you afford to move into a one-bedroom apartment at the Pine Woods Apartments today?

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2) How much more money would you need to save to move into a one-bedroom apartment?

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3) How long will it take you to save that amount if you continue to save \$50 a month?

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4) Could you afford the monthly rent (for a one-bedroom apartment) and your estimated expenses, based on your income?

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5) You and your best friend decide to rent a two-bedroom apartment together. If you split the costs to move in (security deposit, application fee, and first month's rent), what would it cost each of you to move in, and could you afford it?

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6) Could you afford the monthly rent and your expenses if you shared a two-bedroom apartment?

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# BUYER'S REVIEW

Name: \_\_\_\_\_

Review the scenario and then answer the questions.

## THE CHALLENGE

Ramón has graduated from college and started his career as an engineer. Now he thinks he may be ready to buy a condo or townhouse.

Ramón's gross pay is \$4,100 a month, and his net, or take-home pay, is \$3,075. He has been saving for a down payment and closing costs and has \$4,200 saved so far. Ramón contacted his state's Housing Finance Authority and learned about a program that helps first-time home buyers with their down payment and closing costs. The program matches the amount the buyer has saved to buy a home. That means he would have \$8,400 he could put toward a down payment and closing costs. He enrolls in the program and completes several homeownership classes that are part of the program's requirements.

In the middle of his homeownership training, a banker works with Ramón and pre-qualifies him for a maximum mortgage amount of \$165,000. (Pre-qualification is an informal way to find out how much money you can borrow.) Ramón is also eligible to pay only a 3% down payment because he is a first-time home buyer.

As a rule of thumb, many people estimate they are able to afford a mortgage of two to three times their household income. Ramón's annual income is \$49,200, so he might be able to afford a mortgage of \$98,400 to \$147,600.

$$\mathbf{\$49,200 \times 2 = \$98,400}$$

$$\mathbf{\$49,200 \times 2.5 = \$123,000}$$

$$\mathbf{\$49,200 \times 3 = \$147,600}$$

Keep in mind that, if you qualify for a higher amount, that does not mean you can afford or will be comfortable with those monthly payments. Consider your own circumstances and your future financial needs and goals.

Ramón has found a townhouse that he likes. It is listed for \$140,000. The lender estimates that Ramón would need \$4,200 for a 3% down payment and \$7,000 (5% of house cost) for closing costs.

## BUYER'S REVIEW (continued)

Ramón's Funds		Purchase Cost	
Down payment and closing costs:	<b>\$4,200</b>	Cost of house:	<b>\$140,000</b>
Matched savings:	<b>\$4,200</b>	Down payment:	<b>\$4,200</b>
		Closing costs:	<b>\$7,000</b>
<b>Total funds available:</b>	<b>\$8,400</b>	<b>Total funds to purchase:</b>	<b>\$11,200</b>

1) Does Ramón have enough money for the down payment and closing costs?

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2) If not, how much more does he need?

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3) Do you think Ramón is ready to buy a home? If not, what does he need to do to be better prepared?

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# HOUSING NEEDS

**Name:** \_\_\_\_\_

While we can't predict the future, we can think ahead and make a plan! Think about what your housing needs are today (for example: number of bedrooms, square footage, location, amenities, security, comfort, view) and how those might change over the course of your life. Answer the questions below.

## **SHORT-TERM**

What are my housing needs now? How much space do I need? What location do I need to live in? How important are amenities and security to me? What actions can I take today to meet those needs?

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## **MEDIUM-TERM**

What do I think my housing needs will be five years from now? How will my needs change if I have children or relocate to a new area? How much space will I need then? How important will location, security, and amenities be to me? What financial choices can I make today that will help support my future housing needs?

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## **LONG-TERM**

What do I think my housing needs will be 15 years from now? 30 years? How will my needs change if my family grows? How will my housing needs change as I grow older? Will I need more or less space? What financial choices can I make today that will help support my future housing needs?

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