

Student Activities



Lesson Three

Buying a Home



should they rent or buy?

directions

For each of the following situations, circle **RENT**, **BUY**, or **DEPENDS** to indicate your opinion related to this person's housing decision. Also, give reasons for your response.

1: Marla, age 22, plans to work full time while completing her college degree in a nearby city.

RENT

BUY

DEPENDS

2: Bill, age 44, travels out of town frequently for his sales job. His company may transfer him to another sales territory within a year or two.

RENT

BUY

DEPENDS

3: Craig, age 32, recently completed his master's degree in business while working at the same company for the past six years. He has also been able to save nearly \$20,000 over this time period.

RENT

BUY

DEPENDS

4: Jess, age 19, has just taken her first job as a sales representative trainee for a computer software company.

RENT

BUY

DEPENDS

5: Barb and Frank, ages 54 and 57, are planning to retire within the next few years.

RENT

BUY

DEPENDS



conducting a home inspection

Based on your personal observations of homes, interviews with homeowners and real estate agents, and internet research, list several items to consider when conducting an inspection before deciding to buy a home.

exterior facilities:

1.

2.

3.

exterior construction:

1.

2.

3.

interior construction:

1.

2.

3.

interior design:

1.

2.

3.

name: _____

date: _____



shopping for a mortgage

Use the following form to compare two or more sources of home mortgages:

Type of mortgage: (conventional, adjustable rate)		
Length: (# years)		
Mortgage amount:		
Financial institution: (address, phone)		
Contact person:		
Website:		
Application fee:		
Credit report:		
Appraisal fee:		
Loan origination fee:		
Interest rate:		
Monthly payment:		
Points:		
Other fees, charges (prepaid interest):		
Other information:		



computing mortgage payments

Using the following mortgage payment factors, calculate the monthly mortgage payment for the following situations.

mortgage payment factors

(principal and interest factors per \$1,000 of loan amount)

Term Rate	30 Years	25 Years	20 Years	15 Years
6.0%	\$6.00	\$6.44	\$7.16	\$8.44
6.5	6.32	6.75	7.46	8.71
7.0	6.65	7.07	7.75	8.99
7.5	6.99	7.39	8.06	9.27
8.0	7.34	7.72	8.36	9.56
8.5	7.69	8.05	8.68	9.85
9.0	8.05	8.39	9.00	10.14
9.5	8.41	8.74	9.32	10.44
10.0	8.78	9.09	9.65	10.75
10.5	9.15	9.44	9.98	11.05
11.0	9.52	9.80	10.32	11.37
11.5	9.90	10.16	10.66	11.68
12.0	10.29	10.53	11.01	12.00
12.5	10.67	10.90	11.36	12.33
13.0	11.06	11.28	11.72	12.65
13.5	11.45	11.66	12.07	12.98
14.0	11.85	12.04	12.44	13.32
14.5	12.25	12.42	12.80	13.66
15.0	12.64	12.81	13.17	14.00

Example: A 30-year mortgage at 9 percent for \$80,000.

Calculations: \$8.05 from table times 80 (for \$80,000) equals \$644

1. A 15-year mortgage at 8.5 percent for \$75,000. _____
2. A 30-year mortgage at 8 percent for \$95,000. _____
3. A 20-year mortgage at 7 percent for \$155,000. _____
4. A 30-year mortgage at 7.5 percent for \$60,000. _____



lesson three quiz: buying a home

true-false

1. ____ A main advantage of buying is pride of ownership.
2. ____ Buying a home will usually have fewer costs than renting.
3. ____ The home-buying process ends with closing the purchase transaction.
4. ____ A larger down payment will reduce the amount of the mortgage needed.
5. ____ Conventional mortgages usually have a rate that changes as market interest rates change.

multiple choice

6. ____ A common disadvantage of buying a home is:
 - A. few financial benefits
 - B. limited mobility
 - C. restrictions on decorating and having pets
 - D. conditions in the lease
7. ____ The home-buying process starts with:
 - A. locating and evaluating a home
 - B. pricing the property
 - C. determining homeownership needs
 - D. obtaining an appraisal of the property
8. ____ The amount of a mortgage a person can afford is affected by:
 - A. the location of the house
 - B. her or his income
 - C. the cost of insurance
 - D. his or her age
9. ____ A ____ mortgage has a very large final payment.
 - A. conventional
 - B. graduated-payment
 - C. shared-appreciation
 - D. balloon
10. ____ The charges for settling a real estate transaction are also called ____ costs.
 - A. mortgage
 - B. closing
 - C. possession
 - D. selling

case application

Roberto and Shelly have been able to save \$18,000 for a down payment on a house. Roberto would like to buy a large home that is a long drive from their jobs. Shelly would like a small townhouse near their work. What factors should they consider when buying a home?