

# 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:

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



## 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?