

CONSUMER MATH
Chapter 10 Activity: House Hunters

There's a growing trend for young people to return to their parents' home for a few years after college graduation to save money before moving out on their own. Following this trend, after graduating from college two years ago, you moved back in with your parents. However, once you experienced the freedom of being on your own in college, you've found it difficult to live with your mom and dad. So for the past two years you've been saving. You now have \$30,000 in the bank and are expecting a significant salary increase next fall. You are ready to take the plunge and search for some new digs! However, there are several issues you need to consider before you are ready to move out. The more you know about the costs associated with your move, the better you can plan for the financial impact. Therefore, your task is to find a home in Michigan that's within your price range and meets your needs.

SALARY: _____

1. How Much Can You Afford:

As a general rule of thumb, individuals should not buy a house more than 2.5 times their income. Using this information and your given salary, determine the price you can comfortably afford to pay for a house. Show your work below.

Price you can comfortably afford to own: _____

2. Find Houses: Using the websites provided and the calculations you just did, find different types of housing in Michigan that are within your price range and meet your needs. For each type, list the advantages and disadvantages for each, and the cost/information of the housing. Star your favorite.

Housing Type	Location	Amenities (What does it have to offer)	Price	Advantages	Disadvantages
Condominium or Townhouse realtor.com					
Condominium or Townhouse realtor.com					
House realtor.com					
House realtor.com					

CONSUMER MATH
Chapter 10 Activity: House Hunters

3. The Costs

A. MONTHLY MORTGAGE PAYMENT:

You are not risky so you decide on a fixed rate mortgage. After searching the Internet, you find the average rates in Michigan for a 30-year, 20-year, and 15-year fixed mortgage. You plan on putting 20% down. Using the price for your favorite house you found and the charts provided in the back of your packet, determine the following for each type of mortgage:

- The Down Payment and the Amount Financed (same for each mortgage)
- The Monthly Payment
- Total Amount Paid
- The Interest

Down Payment: _____

Amount Financed: _____

30-year fixed-8.00%:

- The Monthly Payment _____

- Total Amount Paid _____

- The Interest _____

20-year fixed-7.5%:

- The Monthly Payment _____

- Total Amount Paid _____

- The Interest _____

15-year fixed-7%:

- The Monthly Payment _____

- Total Amount Paid _____

- The Interest _____

Which mortgage would you chose and why?

Monthly Mortgage Payment: _____

CONSUMER MATH
Chapter 10 Activity: House Hunters

B. CLOSING COSTS-When you buy a home, you have to pay closing costs. Based on the following information. Calculate the closing costs you will have to pay for the loan on the house you chose. Show your work below.

TYPE OF CLOSING COST	COST
Loan Origination Fee	%2 of mortgage
Application Fee	\$200
Appraisal Fee	\$400
Title Examination	\$175
Title Insurance for Lender	\$350
Land Survey	\$250
Credit Report	\$60
Documentation/Preparation	\$185
Legal Fees	\$150

Total for Closing Costs if You Buy a Home: _____

MONEY UPFRONT: You must pay the down payment and closing costs upfront when you buy a house. How much money must you pay the bank and the realtor up front if you are buying a home? Do you have enough money saved? Show work below.

Total Amount of Money Upfront when Buying a Home: _____

C. TAXES-When you buy a home, you have to pay property taxes.

- a. Find the taxable value of the house. This is 50% of the house's value. Show your work below.
- b. Using the website provided, the area your house is located, and the value you just calculated, determine the yearly amount you would pay for property taxes.

<https://treas-secure.state.mi.us/ptestimator/PTEstimator.asp>

- c. What is the monthly amount you would pay for property taxes?

Total Monthly Cost for Property Taxes: _____

D. INSURANCE-When you buy or rent a home, you have to insure it. You decide to insure 80% of your home's replacement value. The replacement value of your home at this time is price you will pay for it.

a. According to the guidelines below, what is the amount of overage on the following:

- Total Coverage-
- Personal Property-
- Loss of Use-
- Garage and Other Structures-

Amount of Coverage	Percent of Coverage
Personal Property	50%
Loss of Use	20%
Garage and Other Structures	10%

CONSUMER MATH
Chapter 10 Activity: House Hunters

b. Your house is in “Fire Protection Class” 9. Based on the construction of your home and the amount of insurance coverage, what is your annual premium? (Use the chart from notes 10.6/10.7)

c. How much are you paying monthly?

Total Monthly Cost for Homeowner’s Insurance: _____

E. UTILITIES – Use the following information to calculate the monthly utility costs. If you decided to rent an apartment, calculate the monthly utility costs separately. Your bills will be highest in the winter so assume you are paying for heat. Show your work below.

Heating- On average \$100.00 a month

Electric–On average \$75.00 a month

Cable- On average \$50.00 a month

Internet – On average \$30.00 a month

Telephone – On average \$50.00 a month

Water – On average condos include water. Otherwise, on average, its \$25 a month

Association Fee for Condos only-On average \$175

Total Monthly Cost for Utilities: _____

-For the home you are buying, add up all the following monthly costs:

- Mortgage payments
- Taxes
- Insurance
- Utilities

Are you within the FHA recommendation? Show your work below. Make sure to find your monthly pay.

CONSUMER MATH
Chapter 10 Activity: House Hunters

F. FURNISHINGS-Now that you have a house, you need to furnish it. To determine the costs of furnishing your home, research online shopping sites. Some online resources for prices include:

-www.target.com

-www.kmart.com

-www.ikea.com

-www.jcpenney.com

-www.artvan.com

Room or Area	Item	Quantity	Price
Bedroom	Bed		
	Dresser		
	Nightstand		
	Pillow		
	Sheets		
	Blanket		
	Lamp		
			Total:
Bathroom	Towels		
	Shower curtain		
	Rug		
			Total:
Living Room	Couch or chair		
	Table		
	Lamp		
	Telephone		
	TV		
	Stereo		
			Total:
Dining Room	Table and chairs		
			Total:
Kitchen	Dishes		
	Pots and pans		
	Silverware		
	Utensils		
	Glasses		
	Dishtowels		
	Appliances		
		Total:	

Included is a list of items needed for a one bedroom, one bath home. If you have multiple bathrooms or bedrooms, multiply the price of those items by the needed quantity. Then find the total price.

Total Cost for Furnishings: _____

CONSUMER MATH
Chapter 10 Activity: House Hunters

4. Conclusion

Now that you have evaluated all the costs associated with buying a home, fill in the budget sheet below to weigh your options.

BUYING	Cost
Monthly Mortgage Payment	
Monthly Utilities	
Monthly Property Taxes	
Monthly Insurance	
Down Payment	
Closing Costs	
Furnishings	
TOTAL	

Questions-

1. Are you really ready to move out? Explain.

2. A house you own will appreciate (increase) in value by 4% a year. (Use a compound interest calculator online.)
 - How much will your house be worth 3 years from now?

 - If you sold it at this price, approximately how much money would you make?

3. Based on this data and the data you collected, would you rather rent or buy? Explain.

4. Do you think you will be moving out right after college? Explain

CONSUMER MATH
Chapter 10 Activity: House Hunters
