

Participant Guide

FDIC

Money  
Smart



# A ROOF OVER YOUR HEAD



**FDIC Money Smart for Young Adults**



**Building: Knowledge, Security, Confidence**

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## **MONEY SMART FOR YOUNG ADULTS MODULES**

### **BANK ON IT**

An introduction to bank services

### **CHECK IT OUT**

How to choose and keep a checking account

### **SETTING FINANCIAL GOALS**

How to keep track of your money

### **PAY YOURSELF FIRST**

Why you should save, save, save

### **BORROWING BASICS**

An introduction to credit

### **CHARGE IT RIGHT**

How to make a credit card work for you

### **PAYING FOR COLLEGE AND CARS**

Know what you are borrowing before you buy

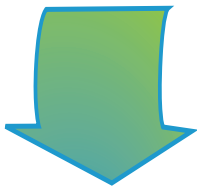
### **A ROOF OVER YOUR HEAD**

What home ownership and renting are all about



## YOUR GUIDES

Some students from Lakeview High are going to be your guides in this lesson. Join them throughout the module in working through some financial situations of their own!



### RAMÓN

Hobbies: Movies or mini golf with his girlfriend

School life: Plays on the soccer team

Family: Born in the U.S. but his parents are from Peru; a little sister, and an older brother who is a pilot in the Air Force

Job: Repairing computers; wants to work for NASA someday

Future plans: College on a soccer scholarship to study engineering



### GRACE

Hobbies: Art, drawing fashion sketches

School life: Prefers not to get into the high school “scene”

Family: Two parents, no siblings

Job: Clothing store at the mall

Future plans: Wants to go to Fashion Design School; her parents want her to go to college; careful with her money so she can buy art supplies



### TODD

Personality: Shy, good sense of humor, intelligent

School life: Likes school but doesn't work very hard at it

Job: Two part-time jobs (fast food and a grocery store)

Family: Mom and sister

Future plans: Plans to attend college but not sure where to go or how to pay for it, but is saving all he can



### JASMINE

Hobbies: Hanging out with friends, shopping, collecting teddy bears

School life: Likes English class, swims on the swim team

Job: Weekends and holidays at her aunt's gift shop

Family: Younger brother named Dominique, large extended family

Future plans: In-state college, plans to be an exercise physiologist

## PRE-ASSESSMENT

1. **ONE LARGE COST OF GETTING AN APARTMENT IS THE:**
  - a. Security deposit
  - b. Interest payment
  - c. Escrow
  - d. Mortgage
  
2. **THE BEST CHOICE BELOW FOR KEEPING RENT AFFORDABLE IS TO:**
  - a. Ask for a rent extension
  - b. Get a roommate
  - c. Choose not to have utilities connected
  - d. Have a pet
  
3. **ACCORDING TO THE LESSON, WHEN YOU APPLY FOR A LEASE, THE LANDLORD WILL USUALLY REQUIRE:**
  - a. A request for new carpeting
  - b. An interest payment
  - c. A security deposit and rent up front
  - d. Private mortgage insurance
  
4. **JAKE IS THINKING OF BUYING A HOUSE. WHAT IS THE MAIN QUESTION HE SHOULD ASK HIMSELF?**
  - a. Can I get a dog?
  - b. Will the water heater work?
  - c. What kind of lawnmower should I buy?
  - d. Am I financially ready?
  
5. **MADDIE GRADUATED FROM HIGH SCHOOL THIS YEAR AND HAS A STEADY JOB. SHE FEELS READY TO MOVE INTO HER OWN SPACE AND HAS \$1,200 IN SAVINGS. WHICH IS THE BEST CHOICE FOR HER?**
  - a. Renting, because she does not have enough saved to buy a house
  - b. Buying a house, because she can build equity for more money
  - c. Renting, because she heard she can save on taxes
  - d. Buying, because she can play her stereo as loud as she wants
  
6. **A MORTGAGE IS:**
  - a. Money used as a downpayment
  - b. Set aside to pay taxes
  - c. A loan to buy a home
  - d. A fee to pay when you rent an apartment



## CHECKING IN

Getting your first apartment or home is fun and exciting, but it can be expensive to move in, and the costs of securing a space of your own could be more than you are ready for. In this module you will learn how to decide if you are ready.



**PURPOSE** This module, entitled *A Roof Over Your Head* will give you the information you need to make informed choices about renting your first apartment. It will also overview basics of getting a mortgage, and help you make decisions and answer questions to determine your readiness to have a space of your own.

**OBJECTIVES** After completing this module, you will be able to:



- List some of the costs of securing living quarters (renting or owning).
- Identify the 3 initial and continuing costs of renting an apartment.
- Tell what to expect when going through the process of applying for a lease.
- Define mortgage.
- List questions to ask when determining if you are ready to buy a home.
- List 3 costs associated with getting a mortgage.
- Identify basic terms used in a mortgage transaction.
- Describe the benefits and pitfalls of renting vs. owning a home.



**AGENDA AND  
GROUND RULES**

If you have experience or knowledge in some aspect of the training material, please share your ideas with the class. One of the best ways to learn is from each other. You might be aware of some method that has worked well for you or some pitfall to avoid. Your contribution to the class will make the learning experience that much better.

**STUDENT  
MATERIALS**

You have been provided a copy of the *A Roof Over Your Head Participant Guide*. It contains:



- Materials and instructions you will need to complete the exercises.
- Checklists and tip sheets related to the module content.
- Space for you to take notes.
- A glossary of the terms used in this module.





## INCREASING YOUR WEALTH

**THINKING ABOUT MOVING OUT** Imagine that you have just finished school and you have your first full-time job in retail, as an associate at your favorite clothing store. You make \$1,500 per month (about \$9.40/hr), and take home about \$1,200. You also get a monthly bonus of \$400 if you meet your sales goals. You have about \$600 in savings from your old part-time pizza job.

Do you think you have enough to move out of your parents' house and get your own apartment, or even buy your own home?

Like Grace, you think you might be ready to move out and get your own space. In this module we will talk about how to figure out if you are financially ready to do that, and go over some things you might need to know.



*Do you have any questions?*





**RENTING YOUR OWN SPACE** How much do you think it costs to move into a house or apartment?

### **COSTS TO MOVE IN**

When you want to rent an apartment, landlords will typically ask for additional money, called a deposit, to assure that you will take care of their property and pay your rent on time. They will probably also ask you to sign a lease. This lease protects both of you by clearly stating the arrangement between you.

A **lease** is a legal document. It states that the landlord agrees to provide a space for you to live, and that it is in “livable” condition (free of bugs and mechanical defects). A lease also states that you agree to pay a certain amount for a set period of time for the apartment. The lease lists your responsibilities as a renter, such as keeping the apartment in good condition. You have certain rights as a renter; see the U.S. Department of Housing and Urban Development site at [www.hud.gov/renting](http://www.hud.gov/renting) for more information.

The costs of securing a rental property usually include:



- Security deposit.
- Payment of the first month’s rent.
- Fees, including credit report fees and pet fees or deposits.
- Costs of connecting utilities (electric, phone, water) which may be required by the utility companies.

### **SECURITY DEPOSIT**

A security deposit is money you put on deposit with the landlord when you sign the lease. It is held in an account by the landlord during the term of your lease. You may instead be asked to pay the deposit once your application is approved to reserve the unit, as it lets the landlord know that you are serious about moving in.

The deposit guarantees to the landlord that you will stay for the length of your lease term and not move out early or without notice. Some landlords may allow you to break your lease and walk away by paying a substantial fee. For example, if your rent is \$600 per month and there are three months left on your lease when you move out, you may be legally obligated to pay the landlord \$1,800. If your security deposit were \$600, the landlord might take you to court to obtain the remaining \$1,200. These details should be discussed with the landlord and written in the lease before you sign it.

The security deposit is also used when you move out to help pay for any damages to the property other than normal wear and tear. If there are no damages, the money is returned to you. The amount of a security deposit can vary, but it is usually equal to at least one month's rent. It may be based, in part, on your credit history.

### **UPFRONT PAYMENTS**

Landlords usually require you to pay your first month's rent along with your security deposit when you sign a lease. They probably will also require you to pay for the remaining days in a month if you move in before the first of the month.

### **ADDITIONAL FEES**

Non-refundable move-in fees are common in some areas. These cover the cost of preparing the apartment for your move-in. Some landlords may charge non-refundable application or credit report fees to assess your eligibility to rent the apartment. These fees may be negotiable and restricted by law in some cities or states.

### **UTILITY CONNECTION FEES**

Utility companies (water, gas, electric, telephone, cable, etc.) usually charge a connection fee to begin service. Sometimes you have to pay the fees before your service is connected, and other times you can pay with your first bill. If a fee is charged, it can be anywhere from a few dollars to \$60 or more. They may also ask for a security deposit in addition to connection fees. This is based on your credit and utility payment history, if you have one.

Think of the situation we discussed earlier. If you have \$600 cash right now, but haven't received your first paycheck yet, will you have enough to cover these costs?



*Do you have any questions about the costs of moving into a new home?*



### **PAYING FOR YOUR SPACE**

Your income must cover your expenses for each month.

The continuing costs of renting an apartment are:



- Rent and other fees (storage, pet fees, parking, etc.).
- Utilities.
- Renter's Insurance (usually optional).
- The possibility of rent increases.

### **RENT AND FEES**

Some properties have fees in addition to the rent. Are you going to have a cat or dog? Many landlords charge extra fees and a deposit for pets, possibly including an upfront fee, and extra rent on top of that. You might also need storage or a parking space that can cost extra in some neighborhoods.

A good rule of thumb is that no more than 30 percent of your gross income should be spent on rent. That means that if your gross income is \$1,500, you should spend no more than \$450 on rent. Then you have the remainder of your income for other expenses.

### **UTILITIES**

You paid to have your utilities connected, but you still have to pay for the service every month. Depending on your apartment, your utilities may be included. Ask before you rent; you might save some money! And watch out: utility bills can vary with the seasons, and they can be very expensive. Many companies have a budget plan so that you pay the same amount throughout the year.

### **RENTERS INSURANCE**

Renters insurance protects you against the loss or destruction of your possessions in the event your property is stolen or damaged, such as through a fire or burglary. It also covers your living expenses if you are unable to live in your apartment because of a fire or other covered peril. Renters insurance also provides liability protection if, for example, someone is injured at your home while visiting. Other types of coverage like earthquake or flood insurance may be available at an additional cost. Renters insurance is usually optional, although some landlords may require you to obtain coverage when you move in.

### RENT INCREASES

The cost of everything rises; even your rent. Your landlord is not allowed to raise the rent during the term of your lease. For example, if you sign a 1-year lease, your rent payment will be the same for that year. But at the end of your lease, the landlord may raise your rent. Some communities may have rent-control laws that govern these rent increases; others do not. Be prepared. Look for an apartment that charges less than what your income allows. That way, if you stay after your lease expires, you will have some financial room to cover rent increases.

### SHARING SPACE: ROOMMATES

In order to keep the costs affordable, many young people share an apartment with one or more roommates. In exchange for sharing common areas like a living room, bathroom and kitchen, you also share all the costs of renting.



### ACTIVITY 1: RENTING CHECKLIST

Think about the earlier scenario. Your take-home pay is \$1,500 a month, and you could get a \$400 bonus each month. You also have \$600 in savings.

Look at the Activity 1: Renting Checklist page at the back of your Guide. You will see the costs of moving in to Pine Tree Apartments. Then you are going to think about the money you have and compare it with the cost of moving in. Figure out if you have enough to move in, and if not, how long it will take you to save enough money.



*Do you have any final questions about renting your own space?*



**BUYING A HOME** A mortgage is a loan, provided by a financial institution to buy a house or condo. Homes can be expensive, and are often not affordable for a person just starting off in life who has yet to accumulate savings and build a credit history. Mortgages are large sums of money. Mortgage payments are made over long periods of time, usually 15-30 years. There are many different types of loans that will meet the needs of people in different situations.

### **COSTS OF A MORTGAGE**

Mortgages are not free; in addition to paying them back, you have to pay additional money to obtain one.

The costs involved in buying a home include:



- **Closing costs:** Closing costs are fees associated with buying and settling, or finalizing, your loan. They can include property taxes, broker and attorney fees, inspection fees, title insurance, and many other items.
- **Taxes & Insurance:** You will probably have to pay some taxes upfront. The locality (usually county and state) where you live will charge taxes on the property, which are generally paid upfront at first and then either monthly with your mortgage payment or separately by you once or twice a year. They can amount to several thousand dollars per year, depending on the value of your house and the state where you live. You also need homeowner's insurance, in case your house catches on fire, the basement floods in a storm, or a window breaks due to your next door neighbor's son's baseball. You may also obtain other insurance, such as flood or earthquake insurance.
- **Interest over the course of the loan:** Interest is money that the bank charges you to borrow money. A portion of every mortgage payment goes toward interest.





Although the downpayment is not a cost of obtaining a mortgage, you also need to have money for it. A downpayment is usually a set percentage of the cost of the home you want to buy. Typically, downpayments are between 3 percent and 20 percent of the purchase price. That means that if you want to purchase a townhouse for \$100,000, you will have to pay at least \$3,000 up front. Generally speaking, a larger downpayment results in a lower monthly mortgage payment.



## ACTIVITY 2: AM I READY TO BUY A HOME? CHECKLIST

You must be financially ready. You should also be ready personally and professionally. For example, if you're in college, you don't want to buy a home even if you do have the money, because you don't know where your career will take you.

These are some questions you need to ask yourself to determine if you are ready to buy a house. These are also questions a lender will ask when you apply for a loan. If you can answer "yes" to these questions, you might be ready to buy.

You also should consider that you may need additional funds saved for emergencies, like possible repairs to the home you buy. If you answer "no" to any of the questions, concentrate on strengthening those areas.

### HELP FOR PURCHASING

There are government and homebuyer assistance programs to help homebuyers, particularly first-time homebuyers. These may lower the costs of buying a home, such as by providing downpayment assistance or reduced interest rates. There are often other special government programs for teachers and service personnel.





### ACTIVITY 3: IS GRACE READY?

Grace thinks she may be ready to buy a home of her own. Here is her situation:

Grace's gross monthly income is \$4,100. After taxes, she brings home \$3,075 per month. So far she has saved \$4,200 for the downpayment and closing costs on a house. Grace thinks that maybe she is ready to buy a house so she has decided to find out more about home ownership.



Turn to the Activity 2: Am I Ready to Buy A Home? Checklist in the back of your Guide. Use the information about Grace to determine if she has enough money to buy a house.

Look back at Grace's situation on the Activity 2: Is Grace Ready? page at the back of your Guide. Review Grace's information and ask each of the Checklist questions for her. Decide if she is ready to buy a house, and why or why not. If not, what can she do to get ready?

Based on the information that you know, do you think Grace is ready? Why or why not? If not, what can she do to better prepare?



*Do you have any questions about being ready to buy a home?*



## THE MORTGAGE PAYMENT WHAT MAKES UP A MORTGAGE PAYMENT?

A mortgage payment is more than just paying back the amount you owe on a home loan. The two parts of the mortgage that pay back the loan are the **principal** and the **interest**.



- Principal is the amount applied to the outstanding balance of the loan. This part is the loan itself.
- Interest is the amount that the lender, or financial institution, charges for borrowing money.

### ESCROW

Taxes and homeowner's insurance are paid using a system called escrow. An escrow is a special bank account held by a financial institution for the purpose of paying taxes and insurance. When the bank calculates your mortgage payment, they include 1/12th of your taxes and 1/12th of your homeowners insurance. When you pay your mortgage, the lender takes this part of the payment and deposits it into the escrow account. Then the financial institution pays the taxes on your behalf to the government and pays your insurance premiums.

In some cases, private mortgage insurance is required to protect the lender if the buyer does not pay the loan. Although this is paid with the mortgage, it is also deposited into the escrow account and paid to the mortgage insurance company.

You can pay taxes and insurance separately. But then you have to remember to save the money each month to pay at the end of the year when the taxes and insurance are due. If you don't, you could have some large bills, maybe several thousand dollars, which you owe but can't pay. Paying separately keeps your mortgage low, but you have to be disciplined enough to save.





## ACTIVITY 4: CALCULATING A MORTGAGE

Let's take a closer look at Grace's mortgage payment. The house she wants to buy costs \$140,000.

Remember that mortgages are divided into different parts.

Calculate the entire mortgage that Grace will pay each month based on the information given on the Activity 3: Calculating a Mortgage page.



*Do you have any questions about the parts of a mortgage payment?*



### RENTING VS. BUYING

There are many advantages and disadvantages of renting and owning a home.



#### Advantages of Renting

When you rent:

- Property maintenance is the responsibility of the landlord.
- You are only under a rental contract for one year or less.
- You do not have other costs associated with owning a home, such as property taxes or homeowner's insurance.

Renter's insurance can be obtained from the same companies as homeowner's insurance. Renter's insurance is generally cheaper than homeowner's insurance.



#### Disadvantages of Renting

When you rent:

- You are not the owner of your home.
- Your rent might increase.
- You might not be able to renew your rental contract and then you will have to find a new place to live.
- You are essentially paying your landlord's mortgage.
- You will not obtain a federal tax deduction for your rent payments, while mortgage interest is tax deductible.

*Can you think of any other benefits of renting?*



As a homeowner, you can enjoy several benefits of ownership:



- You can build equity. Equity refers to the value of the home minus the debt you owe on it. As you pay down the loan and your home value increases, you build up equity.
- One of the benefits of equity is that you can borrow against it for many purposes, usually at a relatively low interest rate. But, remember you could lose your home if you don't pay back the loan.
- Homes have traditionally increased in value over time; so many people consider a home to be an investment.
- Once your mortgage is paid in full, the home is yours.
- Home ownership may reduce the amount of income tax you owe, since mortgage interest and property taxes are deductible.

*Can you think of any disadvantages of owning your home?*





**COSTS OF OWNING A HOME**

When you own a home, property maintenance and upkeep are your responsibility. You are also responsible for the additional costs of:



- Homeowner's insurance.
- Real estate taxes.
- Mortgage interest.
- Homeowner's/condominium association fees, in some cases. These fees pay for maintenance of the common areas and the exterior of the buildings and grounds.
- Maintenance or repair expenses.

When you own a home, it is not as easy to move as it is when you rent. You will typically have to sell or rent your home before you can afford to buy or rent another one.

It is also important to understand that you can lose your home, and your investment in it, if you do not make timely mortgage payments.

*Do you have any questions about the costs of owning a home?*





## CHECKING YOUR BALANCE

### MODULE SUMMARY



You have completed the module, *A Roof Over Your Head*. We have covered a lot of information today about how to save for the future. You learned:

- What some of the costs of securing a place to live would be.
- What to expect when applying for a lease or mortgage.
- What to ask yourself to decide if you're ready to have an apartment or home of your own.
- Basic mortgage terms.
- Advantages and disadvantages of renting and buying a home.

You should now be able to make a well-informed decision on whether you are ready for your own place to live!

*Do you have any final questions?*



## KNOWLEDGE CHECK

1. **ONE LARGE COST OF GETTING AN APARTMENT IS THE:**
  - a. Security deposit
  - b. Interest payment
  - c. Escrow
  - d. Mortgage
  
2. **THE BEST CHOICE BELOW FOR KEEPING RENT AFFORDABLE IS TO:**
  - a. Ask for a rent extension
  - b. Get a roommate
  - c. Choose not to have utilities connected
  - d. Have a pet
  
3. **ACCORDING TO THE LESSON, WHEN YOU APPLY FOR A LEASE, THE LANDLORD WILL USUALLY REQUIRE:**
  - a. A request for new carpeting
  - b. An interest payment
  - c. A security deposit and rent up front
  - d. Private mortgage insurance
  
4. **JAKE IS THINKING OF BUYING A HOUSE. WHAT IS THE MAIN QUESTION HE SHOULD ASK HIMSELF?**
  - a. Can I get a dog?
  - b. Will the water heater work?
  - c. What kind of lawnmower should I buy?
  - d. Am I financially ready?
  
5. **MADDIE GRADUATED FROM HIGH SCHOOL THIS YEAR AND HAS A STEADY JOB. SHE FEELS READY TO MOVE INTO HER OWN SPACE AND HAS \$1,200 IN SAVINGS. WHICH IS THE BEST CHOICE FOR HER?**
  - a. Renting, because she does not have enough saved to buy a house
  - b. Buying a house, because she can build equity for more money
  - c. Renting, because she heard she can save on taxes
  - d. Buying, because she can play her stereo as loud as she wants
  
6. **A MORTGAGE IS:**
  - a. Money used as a downpayment
  - b. Set aside to pay taxes
  - c. A loan to buy a home
  - d. A fee to pay when you rent an apartment



# COURSE ACTIVITIES

## ACTIVITY 1: RENTING CHECKLIST

### INSTRUCTIONS

With the information in the scenario, complete the table below. Then use the amounts you calculated to answer the questions.

You have \$600 in savings and \$125 cash. You take home \$1,500 a month. Right now, you have a car payment of \$195 per month and a cell phone bill of \$56 a month. You save \$50 a month. You are considering renting an apartment at the Pine Woods. Can you afford either the 1 bedroom apartment or the 2 bedroom apartment?

### PINE WOODS APARTMENTS: RENTAL RATES

1 bedroom, 1 bath, kitchen, living room	\$400/month
2 bedroom, 1 bath, kitchen, living room	\$550/month

Renter Fees	
Security Deposit	1 month's rent + \$ \$100 deposit
Application Fee	\$10
Pet fee	\$100 deposit + \$25/month
Parking (optional garage)	\$30/month

One Bedroom Apartment		Two Bedroom apartment	
Savings	\$ 600	Savings	\$ 600
Available Cash	\$ 125	Available Cash	\$ 125
Total Available Funds	\$ 725	Total Available Funds	\$ 725
Security Deposit	\$	Security Deposit	\$
Application Fee	\$	Application Fee	\$
First Month's Rent	\$	First Month's Rent	\$
Pet Fee	\$ 0	Pet Fee	\$ 0
Parking	\$ 0	Parking	\$ 0
<b>Total to Move In</b>	<b>\$</b>	<b>Total to Move In</b>	<b>\$</b>



1. Can you afford to move in to your own apartment at Pine Woods Apartments today?

---

2. How much more money do you need?

---

3. How long will it take you to save enough to move in?

---

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

---

5. Is there any way that you could afford to rent one of these apartments?

---

## ACTIVITY 2: AM I READY TO BUY A HOME? CHECKLIST

**Ask yourself these questions as you consider whether to buy a home:**

- Do I have a steady source of income?  
This usually means you have a job or other sources of income.
- Have I been employed on a regular basis for 2 or 3 years?
- Is my income reliable?
- Do I have a good credit history?

**These questions refer to whether you have ever borrowed money for any purpose:**

- Do I have a good record of paying bills?
- Will I be able to pay my bills and other debts?
- Do I have the ability to make the mortgage payment every month, plus handle additional costs for taxes, insurance, maintenance, and repairs?
- Do I have money saved for a downpayment and closing costs?

### ACTIVITY 3: IS GRACE READY?

#### INSTRUCTIONS

Read the scenario. Determine the total funds, downpayment, and closing costs that Grace will need to buy the house she wants. Use the amounts you calculate to answer the questions at the bottom.

#### GRACE

Grace’s gross pay is \$4,100 a month. When she receives her paycheck, her pay is \$3,075. So far she has saved \$4,200 for the downpayment and closing costs on a house. Grace thinks that maybe she is ready to buy a house so she has decided to find out more about home ownership. She found a program through a nonprofit organization that helps first-time homebuyers by donating more downpayment money equal to the amount the buyer saved for a downpayment. It helps with the costs to buy a house. Remember:

$$\text{Downpayment} + \text{Closing Costs} = \text{Total amount needed upfront}$$

Grace’s Funds		Purchase Cost	
Downpayment Match	\$ 4,200	Cost of House	\$140,000
Savings	\$ 4,200	Downpayment (3% of house cost)	_____
		Closing Costs (5% of house cost)	_____
<b>Total funds available</b>	<b>\$ 8,400</b>	<b>Total funds to purchase</b>	<b>\$ 11,200</b>

1. What is the amount of the downpayment Grace will need?

---

2. What is the amount of the closing costs Grace will need?

---

3. Will Grace have enough money for the downpayment and closing costs to buy her house?

---

4. If no, how much more does she need? If yes, how much is left over?

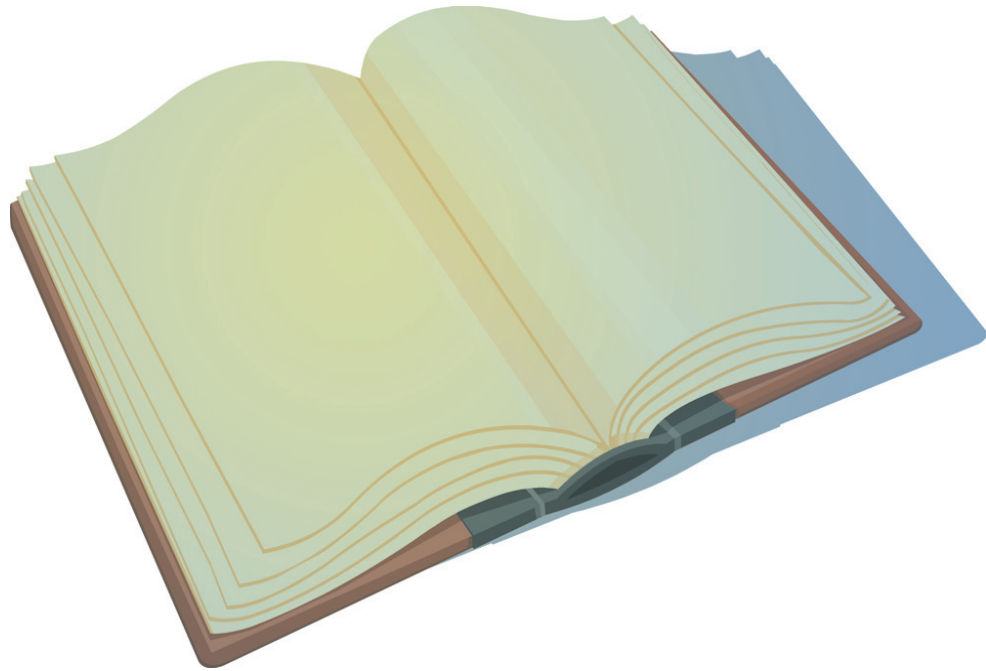
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## ACTIVITY 4: CALCULATING A MORTGAGE

### INSTRUCTIONS

Based on the following information given below about Grace's Mortgage, calculate her entire mortgage payment.

Principal per month	\$750
Interest per month	\$120
Property tax per year	0.5% of the value of the house (\$140,000), and the total is paid over 12 months (round to the nearest dollar) through an escrow account
Home insurance per year	\$480 (divided over 12 months)
Private Mortgage Insurance per month	\$25



# GLOSSARY

**CLOSING COSTS**

Fees associated with settling, or finalizing, your loan.

**DOWNPAYMENT**

A set percentage of the cost of the home you want to buy to show the bank and the seller that you are serious about purchasing the house.

**ESCROW**

A separate account where taxes and insurance are held to be paid to the tax authority or insurance company.

**INTEREST**

Money that the bank charges you to borrow money.

**MORTGAGE**

A loan, or amount of money provided by a financial institution, to buy a house.

**PRINCIPAL**

The part of a mortgage payment applied to the outstanding balance of the loan.

**PRIVATE MORTGAGE INSURANCE (PMI)**

An amount added to the mortgage payment, in some cases, that guarantees the loan will be paid for by the mortgage insurance company if the homeowner defaults, or fails to pay the mortgage.

**SECURITY DEPOSIT**

Money you give to the landlord when you sign the lease. The lease must state what the security deposit will be used for, and whether or not it is given back to the renter when he or she moves out.

**UTILITIES**

Services of living, including electricity, water, gas, phone, cable TV, internet access.



## FOR FURTHER INFORMATION

### **FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC)**

Division of Supervision &  
Consumer Protection

2345 Grand Boulevard, Suite 1200  
Kansas City, Missouri 64108

1-877-ASK-FDIC (1-877-275-3342)

Email: [consumer@fdic.gov](mailto:consumer@fdic.gov)

[www.fdic.gov](http://www.fdic.gov)

### **U.S. FINANCIAL LITERACY AND EDUCATION COMMISSION**

[www.mymoney.gov](http://www.mymoney.gov)

1-888-My-Money (1-888-696-6639)

MyMoney.gov is the U.S. Government's website dedicated to teaching all Americans about financial education. Whether you are planning to buy a home, balancing your checkbook, or investing in your 401k, the resources on MyMoney.gov can help you.

Throughout the site, you will find important information from 20 Federal agencies.

### **FEDERAL CONSUMER INFORMATION CENTER (FCIC)**

[www.pueblo.gsa.gov](http://www.pueblo.gsa.gov)

800-688-9889

The Federal Consumer Information Center (FCIC) provides free online consumer information to help the public. The FCIC produces the Consumer Action Handbook, which is designed to help citizens find the best sources for assistance with their consumer problems and questions.

### **USA.GOV: THE FEDERAL GOVERNMENT'S WEB PORTAL**

[www.usa.gov](http://www.usa.gov)

FirstGov.gov is the official gateway to all government information.

### **CONSUMER.GOV: A RESOURCE FOR CONSUMER INFORMATION FROM THE FEDERAL GOVERNMENT**

[www.consumer.gov](http://www.consumer.gov)

### **DEPARTMENT OF EDUCATION**

[www.ed.gov/students](http://www.ed.gov/students)

The Department of Education provides Information relating to college, financing, and student aid.

*For other education-related resources:*

- Complete the FAFSA online at [www.fafsa.ed.gov](http://www.fafsa.ed.gov).
- Find out more about scholarships at [www.ftc.gov/bcp/menus/consumer/education/scholarships.shtm](http://www.ftc.gov/bcp/menus/consumer/education/scholarships.shtm).
- For more information on Federal Loan Programs, [studentaid.ed.gov](http://studentaid.ed.gov).

### **FEDERAL TRADE COMMISSION**

[www.ftc.gov](http://www.ftc.gov)

877-FTC-HELP (382-4357)

The Federal Trade Commission website offers practical information on a variety of consumer topics, including credit and identity theft.

### **DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)**

[www.hud.gov](http://www.hud.gov)

800-669-9777

The HUD website offers educational resources on buying and renting homes.

**INTERNAL REVENUE SERVICE**

[www.irs.gov](http://www.irs.gov)

You can get copies of IRS publications and forms at this website or by calling 800-829-3676. Call 800-829-1040 for questions about your income taxes.

**SECURITIES AND EXCHANGE COMMISSION (SEC)**

[www.sec.gov](http://www.sec.gov)

800-SEC-0330

The SEC provides information about investing.

**SOCIAL SECURITY ADMINISTRATION**

[www.ssa.gov](http://www.ssa.gov)

800-772-1213

You can find out about Social Security benefits at this site.

**GO DIRECT**

[www.GoDirect.org](http://www.GoDirect.org)

(800) 333-1795

To quickly and easily sign up for direct deposit of your Social Security or other federal benefit payments, contact Go Direct, a campaign sponsored by the U.S. Department of the Treasury and the Federal Reserve Banks.

**NATIONAL ASSOCIATION OF SECURITIES DEALERS**

[www.nasd.com](http://www.nasd.com)

1-800-289-9999

The National Association of Securities Dealers provides information about registered securities brokers to help you decide whether to do business with them.

**THE CENTER FOR SOCIAL DEVELOPMENT (CSD), GEORGE WARREN BROWN SCHOOL OF SOCIAL WORK, WASHINGTON UNIVERSITY, ST. LOUIS, MO.**

[gwbweb.wustl.edu/csd/asset/idas.htm](http://gwbweb.wustl.edu/csd/asset/idas.htm)

The CSD Website includes useful information on Individual Development Accounts (IDAs).