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

Hour: \_\_\_\_\_\_\_\_\_\_

**Housing Decisions Calculations**

**How Much House Can They Afford?**

Directions: Calculate the price limit on a home purchase (or the annual household income) based on the provided information. Assume no debt and that the limit represents 2 ½ times the annual household income.

1. Steve makes a salary of $48,000 a year.
2. Leslie and Mike are a happily married couple. Leslie is paid a salary of $65,000. Mike is paid a salary of $70,000.
3. John is paid $18/hour. He averages 37 ½ hours a week.
4. Fran works 45 hours a week; 40 at a regular rate, 5 at overtime rate. Her hourly wage is $14.
5. Kelly is paid a salary of $83,000. Her husband, Zack, works 40 hours a week making $13.75 an hour.
6. What is the minimum annual income that would be recommended to purchase a house that sells for $160,000?
7. What is the minimum annual income that would be recommended to purchase a house that sells for $215,000?
8. What is the minimum annual income that would be recommended to purchase a house that sells for $530,000?

**Which Housing Option Makes More Sense?**

**Directions:** Read the following story problems and look for information that may be useful in determining housing costs. First, from the provided annual incomes determine the recommended maximum limit they should spend on purchasing a house. Next, each problem will contain two distinct housing options. You are to determine the cost (per month and per year) for BOTH. After you determine the housing costs you are to recommend a course of action for the people involved. Please be sure to provide reasons with your recommendations. For mortgage payments please us the [CNN Mortgage Payment Calculator](http://cgi.money.cnn.com/tools/mortgagecalc/).

1. Tim has just gotten his first “Big Boy” job since graduating from college and is looking forward to moving into his own place. He’s become a hot shot dog groomer, pulling in a cool $52,000 a year (before taxes), and thinks he needs a place to reflect his new found success. A one bedroom apartment he looked at really caught his eye, maybe because of the two pools for residents, and he is seriously considering moving into the place. It comes with a monthly rent cost of $1150, with renters insurance costing $12 a month. His mom is not as keen on this apartment as Tim is and she thinks it is throwing away money. She suggests that Tim purchase a 3 bedroom house that is for sale down the road from her. The asking price for the house is $110,000 with yearly taxes totaling $1,650. Homeowners insurance for the home would be $632 for the year. Although he does not have any money to put as a down payment, Tim does have good enough credit to secure an interest rate of 3.7%. What should Tim do?

Recommended Maximum Limit for Purchasing a House: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Apartment Monthly Cost: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Yearly Cost: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

3 Bedroom Home Monthly Cost: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Yearly Cost: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

What should they do? Why? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. Karen wants to get married to her long time boyfriend Dalton. Unfortunately Dalton doesn’t believe in marriage. He has made a compromise and agreed to purchase a home and move in with the old ball and chain. They have a combined annual income of $120,000 and have found two places that stick out. The first is a three bedroom ranch, listed at $225,000. The property taxes add up to $3,900 for the year, while homeowners’ insurance costs are estimated to be $740 for the year. The other option is a 4 bedroom house listed at $310,000. It is located in an established residential neighborhood, two blocks from an elementary school. The estimated annual costs for homeowners’ insurance and taxes are $890 and $5,100 respectively. They have been preapproved for a mortgage up to $330,000, with a 4.02% interest rate. They have a combined $75,000 in savings and no matter where they move they plan on putting at least $50,000 for a down payment. What house should Karen and Dalton choose?

Recommended Maximum Limit for Purchasing a House: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

3 Bedroom Ranch Monthly Cost: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Yearly Cost: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

4 Bedroom Home Monthly Cost: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Yearly Cost: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

What should they do? Why? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. Steve recently became the legal guardian of his 16 year old twin daughters after his ex-wife went to prison for counterfeit couponing. They are presently living in Steve’s two bedroom apartment but space is getting a bit tight. They have begun looking at new places to move and found a handful of options. The first is a charming 3 bedroom, 2 bath house that is within the girls’ current school district. It is being listed for sale at $180,000. The taxes for this house are estimated to be $3,470 for the year, with homeowners’ insurance being an additional $710 for the year. The other option is to upgrade at Steve’s current apartment complex to a more spacious three bedroom townhouse. The townhouse rents for $1300 and signing this lease would avoid the costly lease termination fees, which add up to an extra $750. With the extra possessions his daughters will be bringing, Steve will be sure to get renters insurance, an additional $16 a month. One issue with the townhouse is that it is located in a different school district than the one the girls’ currently attend. Steve makes $70,000 a year and has been approved for a loan of up to $200,000 with a 4.5% interest rate. Although he has no debt, Steve also has relatively no savings, let alone any form of down payment. What should Steve do?

Recommended Maximum Limit for Purchasing a House: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Townhouse Monthly Cost: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Yearly Cost: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

3 Bedroom Home Monthly Cost: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Yearly Cost: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

What should they do? Why? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_