

## **Business and Personal Finance © 2012**

### **Chapter 16: The Finances of Housing**

#### **Check Your Answers: Section Assessment**

##### **Section 3**

##### **Review Key Concepts**

1. Homeowners enjoy a sense of stability and permanence, individual express, freedom to own pets, and financial benefits, such as income tax deductions and home equity.
2. To evaluate a property, you should walk through the neighborhood, examine the exterior of the home, assess the interior of the home, have a professional inspect the home, and review the inspection report.
3. You will first need to come up with money for a down payment, then get a loan to pay for the remainder of the purchase price, and finally come up with money for the closing costs.
4. Homeowners should make needed repairs, repaint as necessary, keep the house clean, and make sure the lawn looks nice when trying to sell a home.

##### **Higher Order Thinking**

5. Students may choose the 6.5 percent fixed-rate mortgage, recognizing that even though it is higher than the ARM, it will never change while the ARM could go up to 10 percent or more.

##### **English Language Arts**

6. **Sell Your Home** Advertisements will vary but may read something like: Attractive 2-bedroom, 2-bath home. Located close to schools and shopping. Includes fireplace in den and new carpet and paint throughout. List price: \$135,000.

##### **Mathematics**

7. **Loan Amortization** Loan amount =  $\$200,000 - (\$200,000 \times 10\%) = \$180,000$ ;  
Interest month 1 =  $(7\% / 12) \times \$180,000 = \$1,050.00$ ; Principal month 1 =  $\$1,198.00 - \$1,050.00 = \$148.00$ ; Loan balance end of month 1 =  $\$180,000 - \$148.00 = \$179,852.00$ ;  
Interest month 2 =  $(7\% / 12) \times \$179,852 = \$1,049.14$ ; Principal month 2 =  $\$1,198.00 - \$1,049.14 = \$148.86$ ; Loan balance end of month 2 =  $\$179,852 - \$148.86 = \$179,703.14$ ;  
Interest month 3 =  $(7\% / 12) \times \$179,703.14 = \$1,048.27$ ; Principal month 3 =  $\$1,198.00 - \$1,048.27 = \$$