

Business and Personal Finance © 2012

Chapter 16: The Finances of Housing

Check Your Answers: Section Assessment

Section 1

Review Key Concepts

1. Lifestyle will determine how close to work you want to live, how long you plan to stay in one place, and how much privacy you would like to have.
2. Owning property provides stability, privacy, freedom of activities, and tax benefits.
3. You can obtain housing information from libraries, newspapers, the Internet, friends and family, real estate agents, and government agencies.

Higher Order Thinking

4. While both offer pride of ownership and tax benefits, a house usually has more space and privacy than a condominium. A condominium though would have fewer maintenance costs and responsibilities and be closer to recreation and businesses. A person or couple with no children would probably prefer to own a condominium.

English Language Arts

5. **Rental Options** Spreadsheets should compare at least three rental options, complete with as much information as possible. Paragraphs should state which option the student would choose and offer logical explanation, such as “I choose Option A because it has the lowest rent, even though the location is not as ideal. I would prefer to have a garage but will pass on that option at this time in favor of the lower rent.”

Mathematics

6. **Cost of Purchasing a Home** Down payment = $\$150,000 \times 10\% = \$15,000$; Total monthly payments = $\$724 \times 12 \text{ months} \times 3 \text{ years} = \$26,064$; Total property tax = $\$5,000 \times 3 \text{ years} = \$15,000$; Tax savings year 1 = $\$6,705 \times 35\% = \$2,346.75$; year 2 = $\$6,603 \times 35\% = \$2,311.05$; year 3 = $\$6,496 \times 35\% = \$2,273.60$; Total tax savings = $\$2,346.75 + \$2,311.05 + \$2,273.60 = \$6,931.40$; Loan balance after 3 years = $\$150,000 - \$15,000 - \$6,286 = \$128,714$; Gain on sale of house = $\$165,000 - \$128,714 = \$36,286$; Total out of pocket cost over 3 years = $\$36,286 + \$6,931.40 - \$15,000 - \$26,064 - \$15,000 = -\$12,846.60$