Housing decisions are the most important decisions consumers make. Housing expenses are usually the largest expense a consumer must pay. Housing is a basic human need and can be a source of great psychological satisfaction.
Presentation Notes
Factors that Affect Housing Choices

Copyright

Copyright and Terms of Service

Copyright © Texas Education Agency, 2013. These materials are copyrighted © and trademarked ™ as the property of the Texas Education Agency (TEA) and may not be reproduced without the express written permission of TEA, except under the following conditions:

1) Texas public school districts, charter schools, and Education Service Centers may reproduce and use copies of the Materials and Related Materials for the districts' and schools' educational use without obtaining permission from TEA.

2) Residents of the state of Texas may reproduce and use copies of the Materials and Related Materials for individual personal use only, without obtaining written permission of TEA.

3) Any portion reproduced must be reproduced in its entirety and remain unedited, unaltered and unchanged in any way.

4) No monetary charge can be made for the reproduced materials or any document containing them; however, a reasonable charge to cover only the cost of reproduction and distribution may be charged.

Private entities or persons located in Texas that are not Texas public school districts, Texas Education Service Centers, or Texas charter schools or any entity, whether public or private, educational or non-educational, located outside the state of Texas MUST obtain written approval from TEA and will be required to enter into a license agreement that may involve the payment of a licensing fee or a royalty.

Contact TEA Copyrights with any questions you may have.

2
Types of Housing

- Single-family detached housing – a home with no shared walls, designed to be used by one household
- Duplex – a building that has two separate living spaces for two households

Do you live in a single-family detached home?  
Do you live in a duplex?

What are the advantages and disadvantages of living in a single-family detached house?  
What are the advantages and disadvantages of living in a duplex?

Which is better?  
Every consumer has a unique financial and personal situation which will impact his or her housing decisions. It’s important for the consumer to consider costs when deciding on housing.
Types of Housing
Row Houses or Townhouses – separate dwellings for separate households that share attached walls
Apartments – buildings that have multiple living spaces, where each living space is designed for single households

Do you live in a row house or townhouse?
Do you live in an apartment?

What are the advantages and disadvantages of living in a row house or townhouse?
What are the advantages and disadvantages of living in an apartment?
Presentation Notes
Factors that Affect Housing Choices

Slide 5

Types of Housing
Condominiums – a building with several units built together, where each unit is purchased as a separate home.
Manufactured Home (formerly known as a mobile home) – a home built to the Manufactured Home Construction and Safety Standards (HUD Code) and which displays a red certification label on the exterior of each transportable section; built in the controlled environment of a manufacturing plant and transported in one or more sections on a permanent chassis.

Do you live in a condominium?
Do you live in a manufactured home?

What are the advantages and disadvantages of living in a condominium?
What are the advantages and disadvantages of living in a manufactured home?
Types of Housing
As individuals age, their housing options may change. Some senior adults opt to live in retirement communities, senior assisted living facilities or nursing homes.

Have you ever been to a nursing home? What amenities do nursing homes have? What is the difference between a senior assisted living facility and a retirement village?
What does it mean to rent your home?
All housing can be either rented or owned. Both options have advantages and disadvantages. With renting, the owner of a property, called a landlord, agrees to allow a tenant to live in the property for a specified period of time. Both parties sign a legal document called a lease. The landlord retains ownership and control while the tenant pays rent for the right to live in the property. The landlord is usually responsible for most maintenance. The tenant has predictable costs and responsibilities.
What are the advantages of renting?

- Upfront costs are lower than a down payment for purchasing a home.
- You are able to invest your money in CD’s or other money market options rather than spend it on a home.
- You have the freedom to move to another part of the city or country without being tied to a mortgage.
- You do not have to worry about the ability to pay a mortgage due to an uncertainty of income resulting from pay cuts in the future.
- You have time to establish or improve your credit score by creating a history of paying your rent on time.
What are the disadvantages of renting?

- Your monthly rent checks might be more than an actual mortgage payment as rent increases from year to year.
- You do not have the freedom to expand your living space.
- Neighbors are at close proximity; a lack of privacy, irritations and disputes might arise.
- Some facilities do not allow pets.
- There may be a lack of yards, trees and plants.
What elements must be included in a lease agreement?

Is a lease a legal contract?

What is a security deposit? State laws differ about how much an owner can require in deposits by type: security, first or last month's rent, or pet and damage deposits. Lease documents should be clear as to the amounts, how the money will be held and if interest is earned.

Is there a penalty for breaking a lease agreement?

Basic Rental Agreement or Residential Lease

As consideration for this agreement, OWNER agrees to rent/lease to RESIDENT. RESIDENT agrees to rent/lease from OWNER for use solely as a private residence.

http://www.dca.ga.gov/housing/specialneeds/programs/documents/C-2SampleLEASE.pdf
The consumer who decides to buy housing gains full control over the property. One can either pay cash (which is unusual) or obtain a mortgage (closed end, secured debt for the consumer for a fixed length of time, for specified interest).

What are the advantages of owning a home?
• The buyer has the value of equity in the home, which is an ownership.
• The home can be considered an investment in that the homeowner hopes the value will increase.
• The owner gains a tax advantage; interest is deductible and will reduce tax liability.

What are the disadvantages of owning a home?
• The owner is responsible for all maintenance costs.
• If the owner has to move for any reason, decisions will have to be made about what to do with the property – either sell it to someone else or rent it to a tenant.
• Buying a home requires a large amount for a down payment.
• The owner must pay property taxes.
Financing a Home

A mortgage — whether it's a home purchase, a refinancing, or a home equity loan — is a product, just like a car, so the price and terms may be negotiable.

Shopping around for a home loan or mortgage will help you get the best financing deal. A mortgage — whether it’s a home purchase, a refinancing, or a home equity loan — is a product, just like a car, so the price and terms may be negotiable. You’ll want to compare all the costs involved in obtaining a mortgage. Shopping, comparing and negotiating may save you thousands of dollars.
What is a Mortgage?

Introduction to Mortgage Loans
(click on link)

Khan Academy
Introduction to Mortgage Loans
https://www.khanacademy.org/science/core-finance/housing/mortgages-tutorial/v/introduction-to-mortgage-loans
Home loans are available from several types of lenders — thrift institutions, commercial banks, mortgage companies and credit unions. Different lenders may quote you different prices, so you should contact several lenders to make sure you’re getting the best price.

Each lender offers different types of financing options. Mortgages come in two basic forms: fixed rate and adjustable rate. With a fixed rate mortgage, the interest rate remains the same for the life of the loan. This means the payment will never go up or down. An adjustable rate mortgage (ARM) is one where the rate may go up or down; the monthly mortgage payment will go up or down, too. Such mortgages are also called variable rate mortgages.

Subprime mortgages are higher interest rate loans made to people with poor credit scores. How have these types of loans affected the economy? Over time people found that they could not afford to make the payments and defaulted. These widespread defaults became known as the “subprime meltdown” or “subprime crisis.” It has affected homeowners, companies that lent the money and taxpayers across the country.

Why would someone choose an ARM over a fixed rate?

What are the current interest rates for mortgages in our area?
As a consumer, be sure to get information about mortgages from several lenders or brokers. Know how much of a down payment you can afford, and find out all the costs involved in the loan. Knowing just the amount of the monthly payment or the interest rate is not enough.

Rates – Ask each lender and broker for a list of its current mortgage interest rates and whether the rates being quoted are the lowest for that day or week.

Points – Ask each lender about points, which are fees paid to the lender or broker for the loan and are often linked to the interest rate; usually the more points a person pays, the lower the rate.

Fees – A home loan often involves many fees, such as loan origination or underwriting fees, broker fees, and settlement (or closing costs). Every lender or broker should be able to give an estimate of its fees.

Down Payments and Private Mortgage Insurance – Some lenders require 20 percent of the home’s purchase price as a down payment. However, many lenders now offer loans that require less than 20 percent down — sometimes as little as 5 percent on conventional loans.
If a 20 percent down payment is not made, lenders usually require the home buyer to purchase private mortgage insurance (PMI) to protect the lender in case the home buyer fails to pay.

Other common expenses include:

• Appraisal fees
• Home inspection fees
• Mortgage origination fees
• Loan application fees
• Filing fees
• Title insurance
• Points to buy down the interest rate--a point is equivalent to 1% of the loan amount.

These expenses are often referred to as closing costs which can total several thousands of dollars.
Obtain the Best Deal That You Can

• Shop
• Compare
• Negotiate
• Obtain a written lock-in from the lender or broker

Once you are satisfied with the terms you have negotiated, you may want to obtain a written lock-in from the lender or broker. The lock-in should include the rate that you have agreed upon, the period the lock-in lasts and the number of points to be paid. A fee may be charged for locking in the loan rate. This fee may be refundable at closing.

Remember: Shop, Compare, Negotiate - When buying a home, remember to shop around, compare costs and terms and negotiate for the best deal. Your local newspaper and the Internet are good places to start shopping for a loan.
What are your rights and responsibilities associated with renting or buying a home?
The Office of Fair Housing and Equal Opportunity (FHEO) administers and enforces federal laws and establishes policies that make sure all Americans have equal access to the housing of their choice.

The Fair Housing Act prohibits discrimination in residential real estate transactions on the basis of race, color, religion, sex, handicap, familial status or national origin. Under these laws, a consumer may not be refused a loan based on these characteristics nor be charged more for a loan or offered less-favorable terms based on such characteristics.

The Fair Housing Act covers most housing. In some circumstances, the Act exempts owner-occupied buildings with no more than four units, single-family housing sold or rented without the use of a broker, and housing operated by organizations and private clubs that limit occupancy to members.

The Equal Credit Opportunity Act prohibits lenders from discriminating against credit applicants in any aspect of a credit transaction. It prohibits discrimination on the basis of race, color, religion, national origin, sex, marital status, age, whether all or part of the applicant’s income comes from a public assistance program, or whether the applicant has in good faith exercised a right under the Consumer Credit Protection Act.
What Is Prohibited?

In the sale and rental of housing, no one may take any of the following actions based on race, color, national origin, religion, sex, familial status or handicap:

- Refuse to rent or sell housing
- Refuse to negotiate for housing
- Make housing unavailable
- Deny a dwelling
- Set different terms, conditions or privileges for sale or rental of a dwelling
- Provide different housing services or facilities
- Falsely deny that housing is available for inspection, sale or rental
- For profit, persuade owners to sell or rent (blockbusting)
- Deny anyone access to or membership in a facility or service (such as a multiple listing service) related to the sale or rental of housing

In mortgage lending, no one may take any of the following actions based on race, color, national origin, religion, sex, familial status or handicap (disability):
Presentation Notes
Factors that Affect Housing Choices

• Refuse to make a mortgage loan
• Refuse to provide information regarding loans
• Impose different terms or conditions on a loan, such as different interest rates, points or fees
• Discriminate in appraising property
• Refuse to purchase a loan
• Set different terms or conditions for purchasing a loan

In addition, it is illegal for anyone to:

• Threaten, coerce, intimidate or interfere with anyone exercising a fair housing right or assisting others who exercise that right
• Advertise or make any statement that indicates a limitation or preference based on race, color, national origin, religion, sex, familial status or handicap. This prohibition against discriminatory advertising applies to single-family and owner-occupied housing that is otherwise exempt from the Fair Housing Act.

Additional protection can be provided if you or someone associated with you:

• Have a physical or mental disability (including hearing, mobility and visual impairments, chronic alcoholism, chronic mental illness, AIDS, AIDS-related complex and mental retardation) that substantially limits one or more major life activities
• Have a record of such a disability
• Are regarded as having such a disability
The biggest single purchase you will make in your life will be a home. You will need to financially plan for this purchase.

What is lenders mortgage insurance (LMI)? Lenders mortgage insurance, also known as private mortgage insurance in the United States, is insurance payable to a lender or trustee for a pool of securities that may be required when taking out a mortgage loan.

Be prepared to scrutinize past choices and, if necessary, to adjust your money habits. Cut back on the extras. What things could be considered extras? Decisions you make today will influence your future options.

While it may not seem that appealing, many young people choose to move back into the family home while they are saving for their first house. Rent is likely to be one of your biggest expenses, so if you can avoid paying this, you could increase your savings very quickly.

Make the most of what you save. Once you have worked out how much you can save, make your money work for you. If you leave it in your everyday transaction account, you might be tempted to use the cash. You will also earn less interest than you would with other accounts or options. Use the savings calculator to determine how much you would have to save monthly to save $20,000 in two years. You have $5000.00 as a starting balance and the interest rate is 7%. The answer is $551.70 monthly.
The key steps include:

Organize – Set a personal goal to save a certain amount each month and stick to it. Be disciplined in your savings practices, and plan financially to achieve your goals.

Be aware of spending and savings – Prioritize your family’s spending to enable you to save the maximum amount each month.

Negotiate – Talk to your creditors to help you develop a new payment plan. Many creditors will work with consumers to aid them in paying off their debts sooner.

Evaluate your credit score – Know your credit score and what it means to banks and credit card companies and your future. Good credit is essential to your finances. Banks and credit card companies select whether to lend you money and what interest rates you will pay based on your credit score.

Read and be knowledgeable about the fine print. Determine which option is the best for you and your family. Know your rights. Be well-informed before you sign on the dotted line.
Questions?
Presentation Notes
Factors that Affect Housing Choices

References and Resources

Images
Microsoft Clip Art: Used with permission from Microsoft.

Textbooks:

Websites:
Federal Trade Commission
Homes and Mortgages
http://www.consumer.ftc.gov/topics/homes-mortgages
New York Times
Renting versus purchasing calculator.
Presentation Notes
Factors that Affect Housing Choices

References and Resources

Websites:
Realty Times
10 Tips Every Tenant Needs to Know.
http://realtytimes.com/rtpages/19980701_10tips.htm
U.S. Department of Housing and Urban Development
Buying a home.
http://portal.hud.gov/hudportal/HUD?src=/topics/buying_a_home
Yahoo! Homes
Pros and cons of renting versus buying a home article.
home-20120531.html__;yC=AoWVP4KU.PU3kKViN3K54Y4

YouTube™:
Khan Academy
Introduction to Mortgage Loans
https://www.khanacademy.org/science/core-finance/housing/mortgages-
tutorial/v/introduction-to-mortgage-loans