



Dream Home

Unit Summary

In this consumer math unit, students test their real estate and financial aptitude as they calculate the real costs of owning a home.

To get started, they consider the factors that influence home desirability and price using the *Seeing Reason Tool*. They calculate home affordability, monthly mortgage payments, and loan amortization using online calculators and spreadsheet software and analyze the data collected to determine their best financing options.

Once their calculations are complete, including the total payoff of the home, students present the results to their classmates in the form of a short persuasive oral presentation. They develop multimedia slide shows to illustrate their main points and support their purchase choice.

Curriculum-Framing Questions

- **Essential Question**
How are our lives affected by the choices we make?
- **Unit Questions**
How do I select the right home for me?
How can I maximize my purchasing power?
- **Sample Content Questions**
What is amortization?
What criteria does a lending institution use to determine loan qualification?

Assessment Processes

View how a variety of student-centered [assessments](#) are used in the Dream Home Unit Plan. These assessments help students and teachers set goals; monitor student progress; provide feedback; assess thinking, processes, performances, products; and reflect on learning throughout the learning cycle.

Instructional Procedures

Prior to Instruction

Discuss the project with a local real estate agency. Ask a realtor and in-house loan officer to come to class to discuss home real estate and financing. Make plans for your guests to visit the second day of the project.

Set the Stage

Introduce the project by presenting this scenario:

Imagine you have just inherited \$250,000 USD from your great aunt. However, her will stipulates that you must spend the entire amount on the purchase or down payment of a house, and that you must prove to her executors that you have chosen a home that lets you live within your means.

Discuss student's reactions to such "news," and ask questions to spur conversation and debate, such as: "Is \$250,000 a little or a lot of money?" Introduce the Essential and Unit Questions: *How are our lives affected by the choices we make?* and *How do I select the right home for me?*

Go over the [inheritance scenario handout](#) and discuss the details of the upcoming assignment. In brief, students will

At a Glance

Grade Level: 8-12

Subject: Mathematics

Topic: Consumer Math

Higher-Order Thinking

Skills: Analysis, Decision Making, Argumentation

Key Learnings: Economics, Problem Solving, Data Collection and Analysis

Time Needed: 15 class periods, 1 hour each

Things You Need

[Assessment](#)

[Standards](#)

[Resources](#)

study the economic and personal factors that influence home purchasing as they choose a home that will suit their persona's budget and lifestyle.

Take on a Persona

Distribute a [persona card](#) to each student.

You may want to make strategic assignments or distribute the personas through a random drawing. Each persona has a "twin," a duplicate in every way except for region and income. Give students a few minutes to voice their excitement or disappointment over their persona. To tap prior knowledge, instruct students to describe, in the form of a quick write, the dream home they believe their persona will be able to purchase based on the information on their assigned card.

Next, have each student write a quick list of factors they think would be important in a dream home from their persona's point of view. Afterward, have students partner with their twin persona to compare and debate lists.

Learn from an Expert

Tell students a real estate agent and loan officer will be visiting to discuss home real estate and financing. Together brainstorm a set of questions you would like the guests to address.

Sample real estate agent questions might include:

- *What do I need to know before buying a home?*
- *What factors influence home price?*
- *How do I know if I am getting a good deal?*

Sample loan officer questions might include:

- *How do I go about getting a loan?*
- *How can I find out the maximum loan amount I qualify for?*
- *How do I know if I am getting the best rate?*

Have students write notes during the discussion with experts.

Use Seeing Reason to Study Factors that Influence Home Buying

Before proceeding with the next activity, click [here](#) to set up Dream Home: Price project in your workspace. After the presentation by the local real estate agent or loan officer, make a *Seeing Reason* map with your class that represents students' understanding of the factors related to home price. Use a presentation computer and project the *Seeing Reason* map view for all to see. Have students respond to the question: *What factors influence home price?*

Teach students to use the Comments feature to give feedback, redirect effort, supply resources, suggest new avenues of study, and ask for clarification about the team's thinking. As the students are in teams using the tool be sure to facilitate their learning. As students create their maps, pose the following questions (and similar questions) to help facilitate students' higher-order thinking:

- *How have you described your factors?*
- *What is your evidence for the relationship you show between these factors?*
- *Why is this important to understand? What causes this to happen?*
- *Can you explain this relationship further?*
- *How does it affect this factor?*

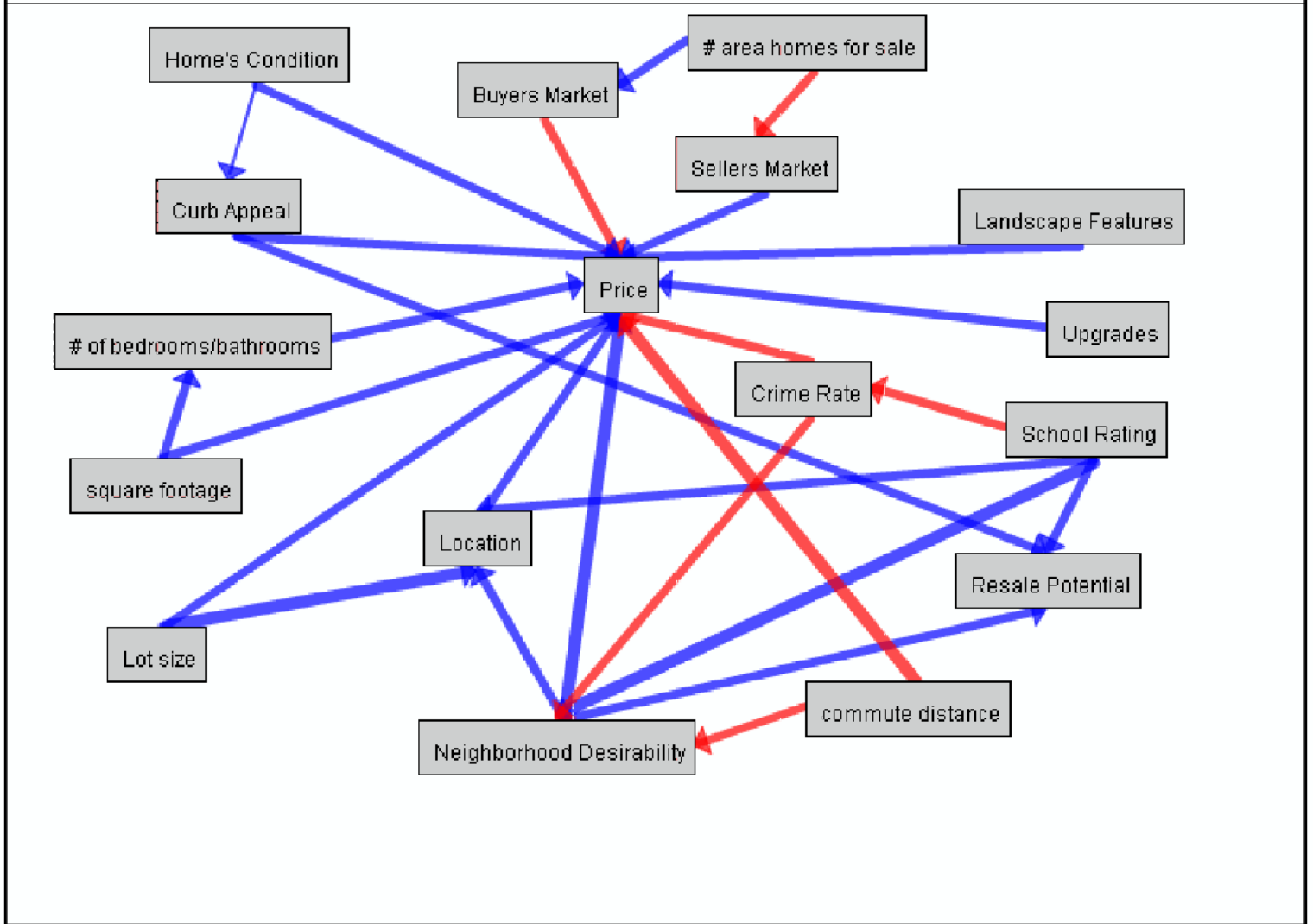
Have students refer to their notes taken during their discussion with the guest real estate agent or loan officer as they contribute factors such as those shown in the following map.

Examine the Seeing Reason Activity

The *Seeing Reason* tool space below represents what one class created in investigating in this project. The map you see is functional. You can roll over the arrows to read relationships between factors, and double-click on factors and arrows to read the descriptions.

Project Name: **Dream Home - Price** (Click [here](#) to set up this project in your workspace)

Question: **What factors influence home price?**



Map from the Perspective of One House Hunter

Before proceeding with the next activity, click [here](#) to set up Dream Home: Desirability project in your workspace. After working on the class map, have students pair with their "twin," persona. Instruct teams to recreate the class map, and then adjust it to show how the factors from the class-created map relate to them. As they build maps, have pairs determine which factors are important from the point of view of their persona, and which have no effect or decrease desirability. Encourage them to use the description feature of the tool to explain their thinking, and create new factors they believe would be important to their persona which might not appear on the class map.

Keep Priorities in Mind

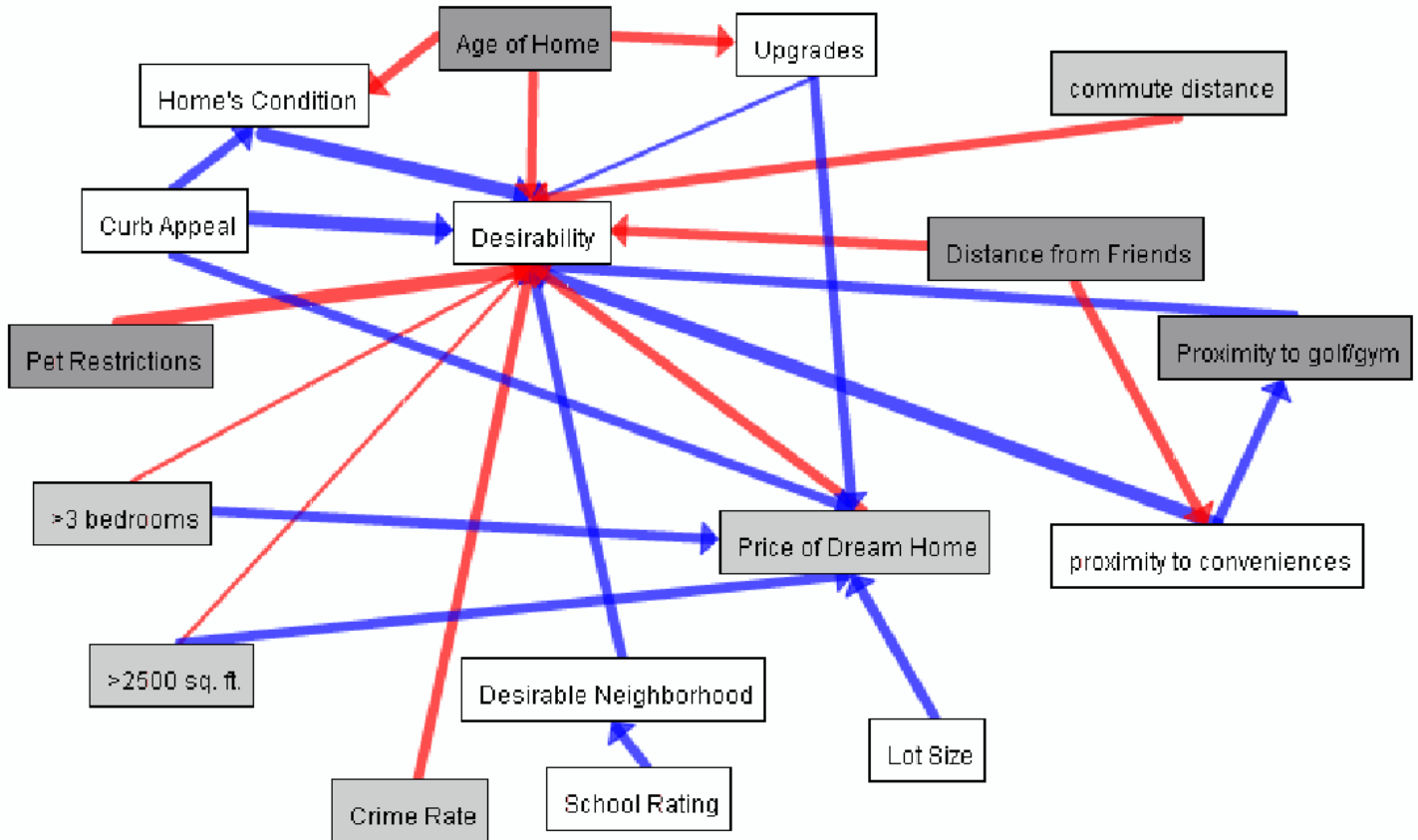
Mapping helps students identify desirable and undesirable features for their persona to keep in mind as they look for houses on the Web. For example, a single adult may see a home with two bedrooms as desirable, where most home-seekers would see this as a limitation. In this case, a small number of bedrooms is a factor that may help keep the cost of their dream home down. See a map for a single, 30-something software engineer below.

Examine the *Seeing Reason* Activity

The *Seeing Reason* tool space below represents one team's investigation in this project. The map you see is functional. You can roll over the arrows to read relationships between factors, and double-click on factors and arrows to read the team's descriptions.

Project Name: Dream Home - Desirability (Click [here](#) to set up this project in your workspace)

Question: How do I select the right home for me? Consider how the factors that affect home price relate to your persona.



Affordability and Loan Terms

After students have established a tentative list of home features that suit their persona through mapping, set each student to work calculating the real costs of real estate. Pose the Content Questions: *What is amortization?* and *What criteria does a lending institution use to determine loan qualification?*

Start by having students determine affordability. Instruct students to use [mortgage calculators](#)* to find the maximum loan they qualify for based on their persona profile and standard lender guidelines.

Next, have them calculate the maximum they can pay in principal and interest, property taxes, and homeowners insurance (PITI) a month. This may not exceed 34 percent of their gross monthly income. Parts of PITI, such as property tax, are based on regional factors. Students need to research their persona's location to establish these rates. Remind them to factor in a down payment amount of \$250,000.

Have students enter data into an [affordability spreadsheet and pie chart](#), and then partner with "twin" to compare calculations. Have pairs compare their work and reconcile any inconsistencies by refiguring their calculations. Note: To check student home affordability calculations, see yellow shaded areas (for teacher only) on this [persona spreadsheet](#).

Follow with a class discussion where students share their persona's occupation, salary, minimum debt, and how debt affects their buying power. This will demonstrate that debt-to-income ratio can be even more important than income in determining how much home one can afford.

Next, using the maximum loan amount they qualify for, have students compare loan terms using a [payment/amortization mortgage calculator](#)*. Ask them to determine the ratio of principal to interest in payments over loan terms of 10, 15, and 30 years, using interest rates from three different lenders and record this information in a spreadsheet. This activity will demonstrate that loan term affects the total payout much more than interest rate, and that monthly payments decrease considerably as loan term increases.

Important Note: At this point, some students will not qualify for a loan based on standard lender guidelines. Explain that an obscure lending institution has agreed to grant them a loan of up to \$50,000, but it will cost them three percentage points more than the current loan rates available from traditional lenders. They should use the loan amount of \$50,000 and add three more percentage points to the current loan rates for this activity. For example: If the current rate is 5.75 percent, they will need to calculate using 8.75 percent instead.

Follow up with a class discussion. Have students share what they learned about financing.

House Hunting

After students have determined dream home features through mapping, calculated how much of a home loan they can qualify for, and evaluated their loan options, they are equipped with all the information they need to make home purchasing decisions.

Have students start house hunting. Because they "live" in different regions of the country, Web research is their best option. Suggest that students select homes that come as close as possible to meeting their dream home desires while remaining within budget. Have students settle on 5-10 homes, and enter basic data into a spreadsheet. From the spreadsheet they will be able to compare the benefits and drawbacks of the various homes under consideration. This [home comparison spreadsheet](#) shows the information one student used to analyze properties that fit his criteria. After classifying and analyzing the list of homes based on their criteria, students select their "dream home," or at least the closest to it that they can afford.

Determine Dream Home Loan Options

Once students select a "dream home," have them evaluate total costs over different loan periods. Have students:

1. Compare loans of 10, 15, 20, and 30 years. Use a single current loan rate to make comparisons easier. The [spreadsheet example](#) shows the factors they should consider relating to loans.
2. Write a [real estate research summary](#) that describes the decisions they made about home purchases based on research.

Persuade the Executor

Students' final task will be to deliver a short, persuasive oral presentation. Their goal is to convince their late aunt's executor (the class) that the home they have selected to purchase, if they receive the \$250,000 from her estate, truly is their dream home, and that they have made the right decision by selecting this particular property. Distribute the [inheritance scenario handout](#) and read through the project instructions together.

Have students create [multimedia slides](#) to support their presentations.

Slides should include:

- Description of persona and budget
- List of dream home criteria and copy of student map
- Spreadsheets, graphs, and charts to support key points

Explaining the Oral Presentation Evaluation Process

Pass out a copy of the [presentation rubric](#) before students begin working on their oral presentations. Discuss requirements and demonstrate how the project checklist can be used to guide students through the creation and final review process. Make sure that students have a clear understanding of what is expected before beginning this project.

Drafting and Preparing for the Oral Presentations

After discussing the assessment process for the oral presentations, have students draft or outline their key arguments for their persuasive speeches in a simple storyboard. They should focus on key points and the presentation order. Remind students that they need to practice their oral presentations. The slides are meant to support their speech by reinforcing and illustrating key points.

Once students have completed their storyboards, have them meet with you to discuss their draft and get approval before moving on to creating the actual slides and begin practicing their presentations.

Delivering the Presentations

Set aside time for students to deliver their oral presentations to the entire class. Have audience members ask questions and assess each presentation on its thoroughness and persuasive quality. (See the [presentation rubric](#) for specific rating criteria.)

Wrapping Up

After students complete their final map and save it to their portfolio, hold a class discussion. Encourage student to share what they learned about the importance of decision-making as it applies to their role as consumers.

Afterwards, pass out the short [essay questions](#) and ask students to summarize what they have learned during the unit. Grade the essay test based on quality of content and supporting details. Essay questions include the Essential Question: *How are our lives affected by the choices we make?* and the Unit Question: *How can I maximize my purchasing power?*

Prerequisite Skills

- familiarity with the *Seeing Reason Tool*
- familiarity with multimedia presentation software
- familiarity with spreadsheets

Differentiated Instruction

Resource Student

- Modifications as dictated in the student's IEP
- Written and oral instructions presented in a variety of ways
- Checkpoints and positive reinforcement throughout the unit and assigned projects
- Select class partner (twin persona) that is best suited to work with this student and address his/her needs
- Extra time to complete assignments

Gifted Student

- Calculate loans based on variable interest rate as well as fixed
- Determine interest rate savings if they paid points, etc.
- Calculate average moving costs and monthly budget related to owning a home
- Calculate average cost to furnish the home they purchased
- Interview local realtor or loan officer. Find out more about their occupation and write a short paper about what they have learned.
- Compare/contrast local real estate prices, interest rate, property taxes, etc with that of their personas region
- Collate pertinent class persona data in a spreadsheet and create charts and graphs to show interesting correlations

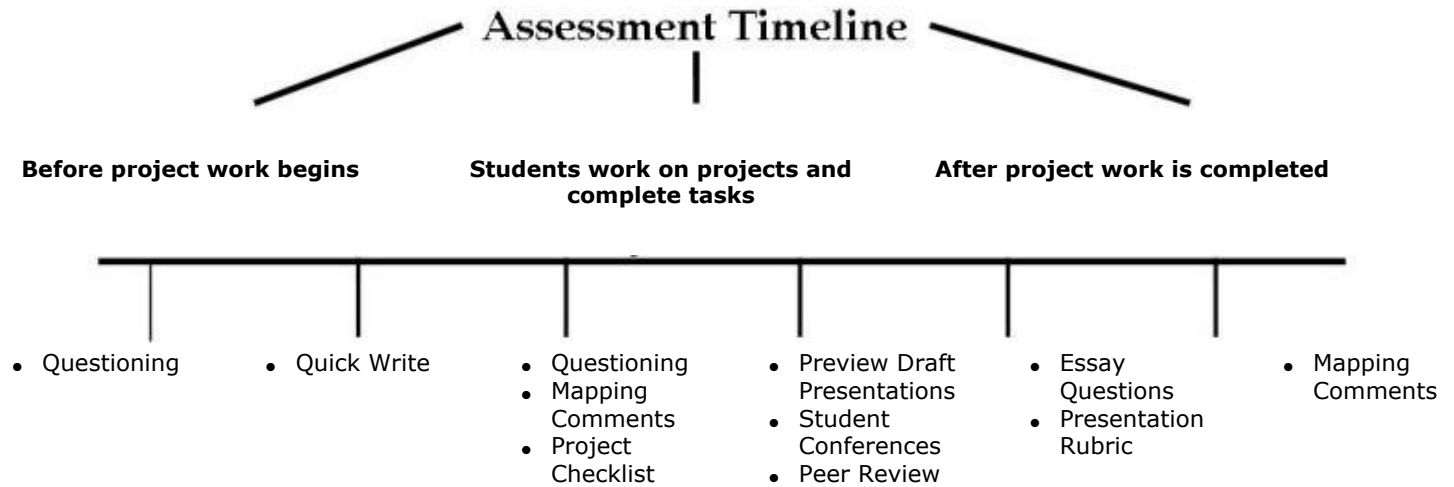
English Language Learner

- Provide more templates and graphic organizers for students
- Select class partner (twin persona) that is best suited to work with this student and address his/her language needs
- Find a bilingual realtor or loan officer that can provide information and answer questions in the student's native language

Credits: Bonnie Ott, from Ovid-Elsie High School, Michigan developed the idea for this unit plan. Her class project was featured in *An Innovation Odyssey*, a collection of stories of technology in the classroom, Story 125: [Dream Houses](#).

Seeing Reason Tool: Dream Home Assessment Plan

Assessment Plan



Students use a [project checklist](#) and [presentation rubric](#) to help guide their learning, stay on track, and self-assess their progress. Quality of causal map comments in *Seeing Reason* projects, and accuracy of spreadsheet calculations, help both teacher and students to monitor progress and understanding of content. Questioning is used throughout the unit to help students develop their higher-order thinking skills and process content. Individual and peer conferences are used to help monitor progress and answer any questions.

Seeing Reason Tool: Dream Home

Content Standards and Objectives

Targeted Content Standards and Benchmarks

Michigan State Frameworks: Mathematics

Data Analysis

- Organize data using tables, charts, graphs, spreadsheets and data bases.
- Use the data and their characteristics to draw and support conclusions.
- Formulate and communicate arguments and conclusions based on data and evaluate their arguments and those of others.

The National Standards for Business Education

Economics & Personal Finance

- Uses a rational decision-making process as it applies to the role of consumers.
- Apply a decision-making model to maximize consumer satisfaction when buying goods and services.
- Analyze factors that affect the choice and the cost of credit

Student Objectives

Students will be able to:

- Collect data and use real estate calculation tools to analyze budgets and home financing
- Make personal decisions based on analysis of economic factors

Seeing Reason Tool: Dream Home Resources

Materials and Resources

Internet Resources

- National Association of Realtors
www.realtor.com*
Online house hunting resource. A database of homes for sale and the official site of the National Association of REALTORS. Find real estate listings, realtors, mortgage rates, and home buying help, and more.
- Locallender.info
<http://locallender.info/mortgage/affordcalculator.asp>*
A network of lenders helping people with their financial needs. Used for teacher number checks on persona spreadsheet- high lending estimates and amortization schedule calculator.
- Home Calcs
http://homecalcs.com/calculators.html?CALCULATORID=HF09&TEMPLATE_ID=www.homecalcs.com-1*
Home Affordability Calculator that computes the most expensive house you can buy based on the highest payment you can afford
- Quicken Loans
www.quickenloans.com*
Calculators" tab gives menu of five different calculators
- Jacinto Mortgage Company
www.jacintomortgage.com*
Payment/amortization calculator
- Sperling's City Crime Rates and Comparisons
www.bestplaces.net/html/crime.html*
Complete crime rate statistics for over 2.500 U.S. cities

Technology - Hardware

- Computer to conduct research, create spreadsheets and multimedia presentations, perform calculations and create maps using online tools
- Printer to publish student products
- Projector for creating class map and showing student presentation slides
- Internet connectivity to conduct research and access
- *Seeing Reason Tool* and online calculators

Technology - Software

- Spreadsheets to record, sort, and analyze data as well as perform calculations and create graphs and charts
- Multimedia software to create slides to support oral presentation

DREAM HOME ORAL PRESENTATION RUBRIC

CATEGORY	4	3	2	1
Content	Covers topic in-depth with details and examples. Subject knowledge is excellent.	Includes essential knowledge about the topic. Subject knowledge appears to be good.	Includes essential information about the topic but there are 1-2 factual errors.	Content is minimal OR there are several factual errors.
Persuasiveness	Key points are detailed and clear. You completely persuade the audience to agree or side with you.	Key points are clear but lack detail. You are able to persuade most of the audience to agree or side with you.	Key points are a little difficult to understand, but you have included critical components. The audience is somewhat persuaded but has lots of questions.	Explanation is difficult to understand and is missing several components OR was not included. The audience is not persuaded to agree or side with you.
Requirements	All requirements are met and exceeded.	All requirements are met.	One requirement was not completely met.	More than one requirement was not completely met.
Type of Graphs Chosen	Graphs fit the data well and make it easy to interpret.	Graphs are adequate and do not distort the data, but interpretation of the data is somewhat difficult.	Graphs distort the data somewhat and interpretation of the data is somewhat difficult.	Graphs seriously distort the data making interpretation almost impossible.
Mathematical Concepts	Explanation shows complete understanding of the mathematical concepts used to solve the problem(s).	Explanation shows substantial understanding of the mathematical concepts used to solve the problem(s).	Explanation shows some understanding of the mathematical concepts needed to solve the problem(s).	Explanation shows very limited understanding of the underlying concepts needed to solve the problem(s) OR is not written.
Presentation	Well-rehearsed with smooth delivery that holds audience attention.	Rehearsed with fairly smooth delivery that holds audience attention most of the time.	Delivery not smooth, but able to maintain interest of the audience most of the time.	Delivery not smooth and audience attention often lost.
Organization	Content is well organized using headings or bulleted lists to group related material.	Uses headings or bulleted lists to organize, but the overall organization of topics appears flawed.	Content is logically organized for the most part.	There was no clear or logical organizational structure, just lots of facts.
Attractiveness	Makes excellent use of font, color, graphics, effects, etc. to enhance the presentation.	Makes good use of font, color, graphics, effects, etc. to enhance to presentation.	Makes use of font, color, graphics, effects, etc. but occasionally these detract from the presentation content.	Use of font, color, graphics, effects etc. but these often distract from the presentation content.
Comprehension	Student is able to accurately answer all questions posed by classmates about the topic.	Student is able to accurately answer most questions posed by classmates about the topic.	Student is able to accurately answer a few questions posed by classmates about the topic.	Student is unable to accurately answer questions posed by classmates about the topic.

Dream Home Project Scenario

Imagine for a moment that you have just received word that you have inherited \$250,000 from a long-lost great aunt who has recently passed away. However, there is a stipulation in your great aunt's will. The money must be spent solely on the purchase and/or down payment of a dream home for you and any family you may have. Not only that, but you must also convince the executor of her will that the house you will be purchasing with this money truly is your dream home and that you have made a wise decision in selecting this particular property. In addition, you must be able to qualify for a home loan to cover any additional monies needed to purchase the home and afford the monthly mortgage and all other associated costs. Will a quarter of a million dollars be enough of a down payment to buy the home of your dreams and to allow you and any family you may have to live comfortably in it?

Your goal is to choose a house that has as many of the features your persona would value without exceeding the budget. But how much house can you really afford? Use a mortgage calculator to determine the maximum purchase price you can qualify for based on your annual household income (determined through a random drawing), plus the \$250,000 your aunt has given you as a down payment.

Once you have determined how high you can afford to go on the total purchase price of your dream home, go house hunting! Remember to search for a home that includes as many of the factors you are looking for in a dream home as possible while remaining in budget and staying within commuting distance of your job.

Don't be hasty--consider several before actually deciding which one to buy. Prepare a spreadsheet that includes 5-10 homes that you are considering. Include all of the factors that are important to you in a dream home, and show how each matches up as well as how it figures into your budget. Thoroughly analyze the spreadsheet and determine which one is truly the home of your dreams.

Once you have selected your new home, use a mortgage calculator to find out what your monthly payments would be over ten, fifteen, twenty, or thirty years, reflecting three different interest rates that are available at the time from lenders. Determine which payoff would work best for you, and then prepare a budget spreadsheet that includes your average monthly out-of-pocket expenses to own it. Include mortgage payment(s), homeowner insurance, property taxes, and any home owner association dues.

Once you have completed all of the calculations including the total payoff of your dream home, you will create a multimedia presentation to present the results to the class as if they were your great aunt's executor. Make sure to describe the home you chose and how it met your personal criteria for a "dream home." Describe other homes that you considered, and compare your choice with those homes you rejected. Use graphs and pictures to reinforce key points. Make sure to prove in your presentation how this property meets your dream home desires and fits in your budget. Remember you must convince "us" that you have chosen wisely if you want to receive the \$250,000.

Persona Cards

Each persona shares a twin who has a different income and lives in a different region of the country.

<p>Age Range: 20's Marital Status: single Occupation(s): Accountant Annual Household Gross Income: \$37,000 City of Employment: Boulder, CO Dependents: no Debt: car: \$600 student loans: \$100 credit card monthly minimum: \$250 alimony, child support, child care: 0</p>	<p>Age Range: 20's Marital Status: single Occupation(s): Accountant Annual Household Gross Income: \$39,000 City of Employment: New Haven, CT Dependents: no Debt: car: \$600 student loans: \$100 credit card monthly minimum: \$250 alimony, child support, child care: 0</p>
<p>Age Range: 40's Marital Status: divorced Occupation(s): Anesthesiologist Annual Household Gross Income: \$280,000 City of Employment: Los Gatos, CA Dependents: yes Debt: car: \$500 student loans: 0 credit card monthly minimum: \$300 alimony, child support: \$9000</p>	<p>Age Range: 40's Marital Status: divorced Occupation(s): Anesthesiologist Annual Household Gross Income: \$228,000 City of Employment: Honolulu, HI Dependents: yes Debt: car: \$500 student loans: 0 credit card monthly minimum: \$300 alimony, child support: \$9000</p>
<p>Age Range: 40's Marital Status: married Occupation(s): Anesthesiologist Annual Household Gross Income: \$280,000 City of Employment: Los Gatos, CA Dependents: yes Debt: car: \$500 student loans: 0 credit card monthly minimum: \$300 alimony, child support, child care: 0</p>	<p>Age Range: 40's Marital Status: married Occupation(s): Anesthesiologist Annual Household Gross Income: \$228,000 City of Employment: Honolulu, HI Dependents: yes Debt: car: \$500 student loans: 0 credit card monthly minimum: \$300 alimony, child support, child care: 0</p>
<p>Age Range: 50's Marital Status: married Occupation(s): Architect, Art Manager Annual Household Gross Income: \$125,000 City of Employment: Dallas, TX Dependents: no Debt: car: \$1000 student loans: 0 credit card monthly minimum: 0 alimony, child support, child care: 0</p>	<p>Age Range: 50's Marital Status: married Occupation(s): Architect, Art Manager Annual Household Gross Income: \$144,000 City of Employment: Boston, MA Dependents: no Debt: car: \$1000 student loans: 0 credit card monthly minimum: 0 alimony, child support, child care: 0</p>
<p>Age Range: 20's Marital Status: single Occupation(s): bartender Annual Household Gross Income: \$15,500 City of Employment: New Orleans, LA Dependents: no Debt: car: 0 student loans: 0 credit card monthly minimum: \$300 alimony, child support, child care: 0</p>	<p>Age Range: 20's Marital Status: single Occupation(s): bartender Annual Household Gross Income: \$17,000 City of Employment: Chicago, IL Dependents: no Debt: car: 0 student loans: 0 credit card monthly minimum: \$300 alimony, child support, child care: 0</p>

<p>Age Range: 20's Marital Status: single Occupation(s): Cashier Annual Household Gross Income: \$18,000 City of Employment: Trenton, NJ Dependents: yes Debt: car: 0 student loans: 0 credit card monthly minimum: 250 child care: \$600</p>	<p>Age Range: 20's Marital Status: single Occupation(s): Cashier Annual Household Gross Income: \$17,000 City of Employment: Pittsburg, PA Dependents: yes Debt: car: 0 student loans: 0 credit card monthly minimum: \$250 child care: \$600</p>
<p>Age Range: 30's Marital Status: married Occupation(s): Fire Fighter, Staff Nurse Annual Household Gross Income: \$69,000 City of Employment: Green Bay, WI Dependents: yes Debt: car: \$350 student loans: 0 credit card monthly minimum: \$150 child care: \$800</p>	<p>Age Range: 30's Marital Status: married Occupation(s): Fire Fighter, Staff Nurse Annual Household Gross Income: \$94,000 City of Employment: New York City, NY Dependents: yes Debt: car: \$350 student loans: 0 credit card monthly minimum: \$150 child care: \$800</p>
<p>Age Range: 50's Marital Status: married Occupation(s): Head Coach - college Annual Household Gross Income: \$70,000 City of Employment: Portland, OR Dependents: yes Debt: car: 0 student loans: 0 credit card monthly minimum: \$400 alimony, child support, child care: 0</p>	<p>Age Range: 50's Marital Status: married Occupation(s): Head Coach - college Annual Household Gross Income: \$75,000 City of Employment: Kansas City, KS Dependents: yes Debt: car: 0 student loans: 0 credit card monthly minimum: \$400 alimony, child support, child care: 0</p>
<p>Age Range: 30's Marital Status: divorced Occupation(s): lawyer Annual Household Gross Income: \$71,000 City of Employment: Albuquerque, NM Dependents: yes Debt: car: \$500 student loans: 0 credit card monthly minimum: \$500 child support: \$2,000</p>	<p>Age Range: 30's Marital Status: divorced Occupation(s): lawyer Annual Household Gross Income: \$75,000 City of Employment: Richmond, VA Dependents: yes Debt: car: \$500 student loans: 0 credit card monthly minimum: \$500 child support: \$2,000</p>
<p>Age Range: 40's Marital Status: married Occupation(s): Loan Officer Annual Household Gross Income: \$93,000 City of Employment: San Francisco, CA Dependents: yes Debt: car: 0 student loans: 0 credit card monthly minimum: 0 alimony, child support, child care: 0</p>	<p>Age Range: 40's Marital Status: married Occupation(s): Loan Officer Annual Household Gross Income: \$51,000 City of Employment: Boise, ID Dependents: yes Debt: car: 0 student loans: 0 credit card monthly minimum: 0 alimony, child support, child care: 0</p>
<p>Age Range: 30's Marital Status: married Occupation(s): Mechanic, Hair Stylist Annual Household Gross Income: \$56,000 City of Employment: Orlando, FL Dependents: yes Debt/Other Monthly:</p>	<p>Age Range: 30's Marital Status: married Occupation(s): Mechanic, Hair Stylist Annual Household Gross Income: \$58,000 City of Employment: Nashville, TN Dependents: yes Debt/Other Monthly:</p>

car: \$400
student loans: 0
credit card monthly minimum: \$150
child care: \$600

car: \$400
student loans: 0
credit card monthly minimum: \$150
child care: \$600

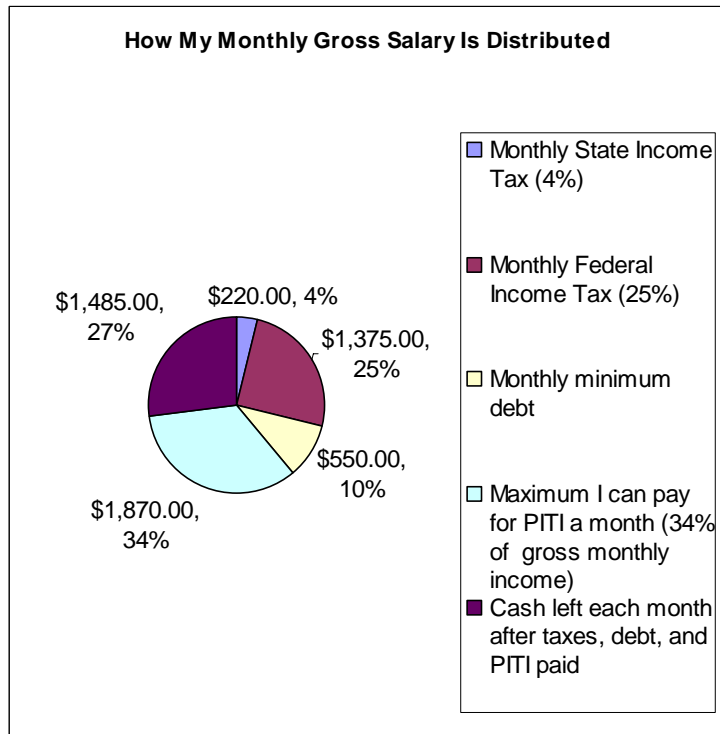
<p>Age Range: 40's Marital Status: divorced Occupation(s): Painter Annual Household Gross Income: \$36,000 City of Employment: Manchester, NH Dependents: yes Debt: car: 0 student loans: 0 credit card monthly minimum: \$200 alimony, child support: \$750</p>	<p>Age Range: 40's Marital Status: divorced Occupation(s): Painter Annual Household Gross Income: \$37,000 City of Employment: Las Vegas, NV Dependents: yes Debt: car: 0 student loans: 0 credit card monthly minimum: \$200 alimony, child support: \$750</p>
<p>Age Range: 30's Marital Status: single Occupation(s): Pharmaceutical Sales Annual Household Gross Income: \$50,000 City of Employment: Atlanta, GA Dependents: no Debt: car: \$650 student loans: \$100 credit card monthly minimum: \$550 alimony, child support, child care: 0</p>	<p>Age Range: 30's Marital Status: single Occupation(s): Pharmaceutical Sales Annual Household Gross Income: \$50,000 City of Employment: Salt Lake City, UT Dependents: no Debt: car: \$650 student loans: \$100 credit card monthly minimum: \$550 alimony, child support, child care: 0</p>
<p>Age Range: 60's Marital Status: married Occupation(s): Retired Annual Household Gross Income: \$60,000 City of Residence: Anywhere you choose , AZ Dependents: no Debt: car: 0 student loans: 0 credit card monthly minimum: 0 alimony, child support, child care: 0</p>	<p>Age Range: 60's Marital Status: married Occupation(s): Retired Annual Household Gross Income: \$60,000 City of Employment: Anywhere you choose, ID Dependents: no Debt: car: 0 student loans: 0 credit card monthly minimum: 0 alimony, child support, child care: 0</p>
<p>Age Range: 70's Marital Status: widowed Occupation(s): Retired Annual Household Gross Income: \$20,000 City of Employment: Anywhere you choose, AL Dependents: no Debt: car: 0 student loans: 0 credit card monthly minimum: 0 alimony, child support, child care: 0</p>	<p>Age Range: 70's Marital Status: widowed Occupation(s): Retired Annual Household Gross Income: \$20,000 City of Employment: Anywhere you choose, SC Dependents: no Debt: car: 0 student loans: 0 credit card monthly minimum: 0 alimony, child support, child care: 0</p>
<p>Age Range: 30's Marital Status: single Occupation(s): Software Engineer Annual Household Gross Income: \$66,000 City of Employment: Seattle, WA Dependents: no Debt: car: \$400 student loans: 0 credit card monthly minimum: \$150 alimony, child support, child care: 0</p>	<p>Age Range: 30's Marital Status: single Occupation(s): Software Engineer Annual Household Gross Income: \$65,000 City of Employment: Washington, DC, District of Columbia Dependents: no Debt: car: 0 student loans: \$50 credit card monthly minimum: \$200 alimony, child support, child care: 0</p>
<p>Age Range: 20's Marital Status: married Occupation(s): Teacher, Teacher Annual Household Gross Income: \$86,000 City of Employment: Los Angeles, CA Dependents: no</p>	<p>Age Range: 20's Marital Status: married Occupation(s): Teacher, Teacher Annual Household Gross Income: \$70,000 City of Employment: Cheyenne, WY Dependents: no</p>

<p>Debt:</p> <ul style="list-style-type: none">car: \$600student loans: \$150credit card monthly minimum: \$350alimony, child support, child care: 0	<p>Debt:</p> <ul style="list-style-type: none">car: \$600student loans: \$150credit card monthly minimum: \$350alimony, child support, child care: 0
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Affordability spreadsheet and pie graph





Software engineer, single, mid-thirties

How Much House Can I Afford?		% of monthly gross	% of monthly gross after taxes and debt
Annual Household Income	\$66,000.00		
Monthly Gross Income	\$5,500.00		
Monthly State Income Tax (4%)	\$220.00	4.00%	
Monthly Federal Income Tax (25%)	\$1,375.00	25.00%	
Monthly minimum debt	\$550.00	10.00%	
Monthly car payment	\$400.00	7.27%	
Monthly student loan payment	\$0.00	0.00%	
Minimum monthly credit card debt payment	\$150.00	2.73%	
Total monthly salary left after debt and taxes	\$3,355.00	61.00%	
Down Payment Amount	\$250,000.00		
Maximum I can pay for PITI a month (34% of your gross monthly income)	\$1,870.00	34.00%	55.74%
Monthly Property Taxes	\$407.29	7.41%	12.14%
Homeowner's insurance premium	\$69.64	1.27%	2.08%
Maximum Principal and Interest Payment	\$1,393.07	25.33%	41.52%
Maximum Loan Amount	\$238,750.00		
Maximum Purchase Price I can afford	\$488,750.00		
Cash left each month after taxes, debt, and PITI paid	\$1,485.00	27.00%	



Age Range	Marital Status	Occupation(s)	annual household income 2004	City of Employment	State	dependents	car payments	student loans	credit card debt	alimony/ child support/ child care	Total debt	Monthly salary	maximum monthly for PITI	Estimated Maximum loan qualified for	Down Payment	Estimated Maximum Home price
20's	single	Accountant	\$37,000.00	Boulder	CO	no	\$600.00	\$100.00	\$250.00	\$0.00	\$950.00	\$3,083.33	\$1,048.33	\$38,000.00	\$250,000.00	\$288,000.00
20's	single	Accountant	\$39,000.00	New Haven	CT	no	\$600.00	\$100.00	\$250.00	\$0.00	\$950.00	\$3,250.00	\$1,105.00	\$38,000.00	\$250,000.00	\$288,000.00
40's	divorced	Anesthesiologist	\$280,000.00	Los Gatos	CA	yes	\$500.00	\$0.00	\$300.00	\$9,000.00	\$9,800.00	\$23,333.33	\$7,933.33	\$0.00	\$250,000.00	\$250,000.00
40's	divorced	Anesthesiologist	\$228,000.00	Honolulu	HI	yes	\$500.00	\$0.00	\$300.00	\$9,000.00	\$9,800.00	\$19,000.00	\$6,460.00	\$0.00	\$250,000.00	\$250,000.00
40's	married	Anesthesiologist	\$280,000.00	Los Gatos	CA	yes	\$500.00	\$0.00	\$300.00	\$0.00	\$800.00	\$23,333.33	\$7,933.33	\$1,239,500.00	\$250,000.00	\$1,489,500.00
40's	married	Anesthesiologist	\$228,000.00	Honolulu	HI	yes	\$500.00	\$0.00	\$300.00	\$0.00	\$800.00	\$19,000.00	\$6,460.00	\$1,009,000.00	\$250,000.00	\$1,259,000.00
50's	married	Architect, Art Manager	\$125,000.00	Dallas	TX	no	\$1,000.00	\$0.00	\$0.00	\$0.00	\$1,000.00	\$10,416.67	\$3,541.67	\$506,500.00	\$250,000.00	\$756,500.00
50's	married	Architect, Art Manager	\$144,000.00	Boston	MA	no	\$1,000.00	\$0.00	\$0.00	\$0.00	\$1,000.00	\$12,000.00	\$4,080.00	\$610,000.00	\$250,000.00	\$860,000.00
20's	single	bartender	\$15,500.00	New Orleans	LA	no	\$0.00	\$0.00	\$300.00	\$0.00	\$300.00	\$1,291.67	\$439.17	\$32,000.00	\$250,000.00	\$282,000.00
20's	single	bartender	\$17,000.00	Chicago	IL	no	\$0.00	\$0.00	\$300.00	\$0.00	\$300.00	\$1,416.67	\$481.67	\$40,000.00	\$250,000.00	\$290,000.00
20's	single	Cashier	\$18,000.00	Trenton	NJ	yes	\$0.00	\$0.00	\$250.00	\$600.00	\$850.00	\$1,500.00	\$510.00	\$0.00	\$250,000.00	\$250,000.00
20's	single	Cashier	\$17,000.00	Pittsburg	PA	yes	\$0.00	\$0.00	\$250.00	\$600.00	\$850.00	\$1,416.67	\$481.67	\$0.00	\$250,000.00	\$250,000.00
30's	married	Fire Fighter, Staff Nurse	\$69,000.00	Green Bay	WI	yes	\$350.00	\$0.00	\$150.00	\$800.00	\$1,300.00	\$5,750.00	\$1,955.00	\$288,500.00	\$250,000.00	\$538,500.00
30's	married	Fire Fighter, Staff Nurse	\$94,000.00	New York City	NY	yes	\$350.00	\$0.00	\$150.00	\$800.00	\$1,300.00	\$7,833.33	\$2,663.33	\$151,500.00	\$250,000.00	\$401,500.00
50's	married	Head Coach - college	\$70,000.00	Portland	OR	yes	\$0.00	\$0.00	\$400.00	\$0.00	\$400.00	\$5,833.33	\$1,983.33	\$309,500.00	\$250,000.00	\$559,500.00
50's	married	Head Coach - college	\$75,000.00	Kansas City	KS	yes	\$0.00	\$0.00	\$400.00	\$0.00	\$400.00	\$6,250.00	\$2,125.00	\$332,000.00	\$250,000.00	\$582,000.00
30's	divorced	lawyer	\$71,000.00	Albuquerque	NM	yes	\$500.00	\$0.00	\$500.00	\$2,000.00	\$3,000.00	\$5,916.67	\$2,011.67	\$0.00	\$250,000.00	\$250,000.00
30's	divorced	lawyer	\$75,000.00	Richmond	VA	yes	\$500.00	\$0.00	\$500.00	\$2,000.00	\$3,000.00	\$6,250.00	\$2,125.00	\$0.00	\$250,000.00	\$250,000.00
40's	married	Loan Officer	\$93,000.00	San	CA	yes	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$7,750.00	\$2,635.00	\$411,500.00	\$250,000.00	\$661,500.00
40's	married	Loan Officer	\$51,000.00	Boise	ID	yes	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$4,250.00	\$1,445.00	\$225,000.00	\$250,000.00	\$475,000.00
30's	married	Mechanic, Hair Stylist	\$56,000.00	Orlando	FL	yes	\$400.00	\$0.00	\$150.00	\$600.00	\$1,150.00	\$4,666.67	\$1,586.67	\$106,500.00	\$250,000.00	\$356,500.00
30's	married	Mechanic, Hair Stylist	\$58,000.00	Nashville	TN	yes	\$400.00	\$0.00	\$150.00	\$600.00	\$1,150.00	\$4,833.33	\$1,643.33	\$117,500.00	\$250,000.00	\$367,500.00
40's	divorced	Painter	\$36,000.00	Manchester	NH	yes	\$0.00	\$0.00	\$200.00	\$750.00	\$950.00	\$3,000.00	\$1,020.00	\$32,500.00	\$250,000.00	\$282,500.00
40's	divorced	Painter	\$37,000.00	Las Vegas	NV	yes	\$0.00	\$0.00	\$200.00	\$750.00	\$950.00	\$3,083.33	\$1,048.33	\$38,000.00	\$250,000.00	\$288,000.00
30's	single	Pharmaceutical Sales	\$50,000.00	Atlanta	GA	no	\$650.00	\$100.00	\$550.00	\$0.00	\$1,300.00	\$4,166.67	\$1,416.67	\$48,500.00	\$250,000.00	\$298,500.00
30's	single	Pharmaceutical Sales	\$50,000.00	Salt Lake City	UT	no	\$650.00	\$100.00	\$550.00	\$0.00	\$1,300.00	\$4,166.67	\$1,416.67	\$48,500.00	\$250,000.00	\$298,500.00

Yellow Area For Teacher's Use Only

photo	Location/Zip	Miles from job	Asking Price	Beds	Baths	Sq Ft	Year Built	Extras	lot size	yard for dog	Demographic
	Renton, WA 98056	14.6	\$469,900	4	2.5	2673	2001	Dog Run/ Close to public transportation	6000	yes	30% fit below profile: Young and mobile 32.5 - median age 50% under 35 33% college educated
	Sammamish, WA 98075	19	\$470,500	4	2.5	2821	2003	Sauna/ steam room	6748	yes	No info
	Seattle, WA 98136	7	\$455,000	4	2.5	2200	2003	outside workshop	3157	yes	50% fit below profile: median age 36.7 professionals 35% college degree
	Seattle, WA 98136	7	\$439,950	4	2.5	2260	2001	boat parking	8556	yes	50% fit below profile: median age 36.7 most are professionals 35% have college degree
	Renton, WA 98056	14.6	\$372,950	3	2.5	2450	2004	deck/patio	6629	yes	30% fit below profile: Young and mobile 32.5 - median age 50% under 35 33% college educated

Loan Comparison

Summary of calculations based on profile, loan needs, and loan terms

Purchase price	\$372,950.00
Down payment	\$250,000.00
Loan amount	\$122,950.00
Loan I qualify for	\$238,750.00
Max purchase price I can afford	488,750.00
Difference between purchase price I can afford and am actually buying	\$115,800.00
Amount in interest on a 30-year loan (5.5%) if I choose home at max. affordable price	\$249,262.42
Amount I pay in interest on a 10-year loan (5.5%) on home I chose	\$37,169.79
Difference between max loan I could get and the one I chose to get	\$212,092.63
Total payout for home I chose	\$410,119.79
Total payout for home I qualify for	\$738,012.42
Total I am saving by choosing this home instead of one at my maximum qualified for price	\$327,892.63
% payout over purchase price	9.97%
30-Year Loan	
5.5% interest	
Monthly loan payment	\$698.10
Total principal	\$122,950.00
Total interest	\$128,362.90
Total payout	\$251,312.90
% of total payout paid to interest	51.08%
Total amount actually paid for home (down payment + principal + interest)	\$501,312.90
% paid above purchase price	34.42%
20-Year Loan	
5.5% interest	
Monthly loan payment	\$845.76
Total principal	\$122,950.00
Total interest	\$80,031.34
Total payout	\$202,981.34
% of total payout paid to interest	39.43%
Total amount actually paid for home (down payment + principal + interest)	\$452,981.34
% paid above purchase price	21.46%
15-Year Loan	
5.5% interest	
Monthly loan payment	\$1,004.60
Total principal	\$122,950.00
Total interest	\$57,879.16
Total payout	\$180,829.16
% of total payout paid to interest	32.01%
Total amount actually paid for home (down payment + principal + interest)	\$430,829.16
% paid above purchase price	15.52%
10-Year Loan	
5.5% interest	
Monthly loan payment	\$1,334.33
Total principal	\$122,950.00
Total interest	\$37,169.79
Total payout	\$160,119.79
% of total payout paid to interest	23.21%
Total amount actually paid for home (down payment + principal + interest)	\$410,119.79
% paid above purchase price	9.97%

Real Estate Research Summary

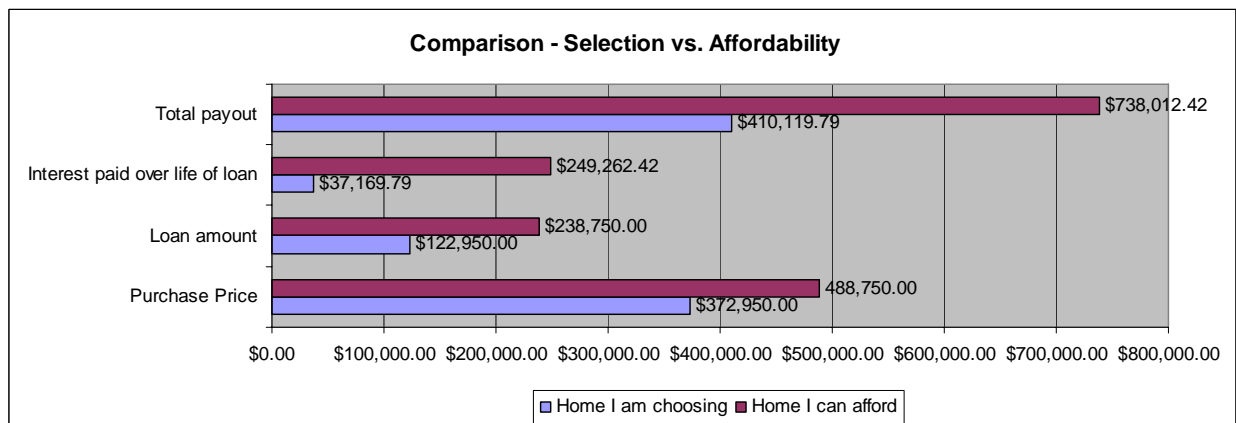
Matthew C.

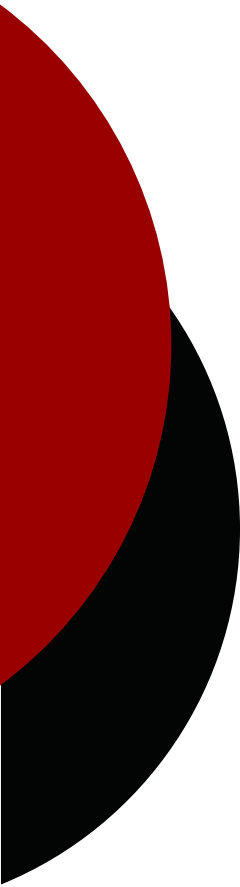
Conclusion

Because I make a decent wage and have a relatively low monthly debt-to-income ratio, I am able to qualify for a loan up to \$238,750. This means that if I can make a down payment of \$250,000 I can afford to buy a home that costs as much as \$488,750. However, I am choosing to purchase a home that cost considerably less. After doing the calculations and realizing how much I will pay in interest with a thirty-year loan, I have decided that it would be in my best interest to select a home that I can afford to finance over ten or fifteen years instead.

By choosing a home that costs \$372,950 instead of \$488,750, I save an automatic \$115,800 off the purchase price and an additional \$212,092 in interest, for a total savings of \$327,892. Because the home I selected still meets all of the criteria I decided I wanted in my dream home, I haven't compromised my wants in any way.

By making the decision I have, I will now own my home sooner and save a lot of money over time. When I am in my 40's I can invest in other things or additional income properties. I decided it is best to take this route to ensure my financial future and at the same time live in the home of my dreams, one with room to grow into as I look ahead to marriage and starting a family.





My Dream Home

Presentation by: Matthew

About Me

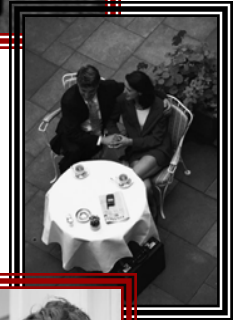
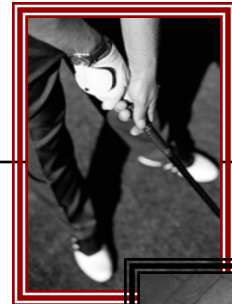
- **30's**
- **Single**
- **Software Engineer**
- **Work in Seattle, Washington**
- **Annual Salary: \$66,000.00**
- **Monthly debt: \$550.00**



Dream House Desires

My dream house would ideally meet the following criteria:

- 10 years or newer and Turn key ready
- Low maintenance
- Easy commute to work
- Between 1800-2800 sq ft. and have 3 bedrooms
- Lots of young professionals in the neighborhood
- Close to golf, sports courts, jogging trails, and gym
- Close to great restaurants, pubs, and Starbuck's
- Close to girl friend and buddies
- Yard for a dog



Evaluating My Criteria

To make sure that the criteria I had set for my dream home made sense both financially and personally I decide to map it in relationship to what I knew and had learned about buying and selling real estate.

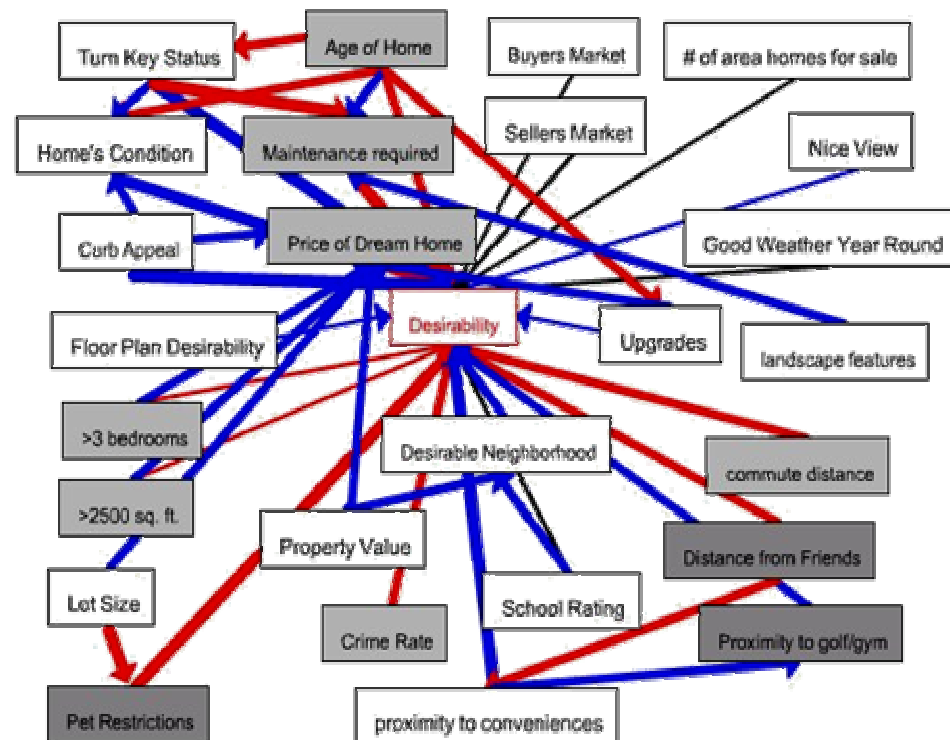
What I learned:

Some factors (such as > 3 bedrooms & > 2500 sq. ft.) that many would expect in a dream home and that increase price - actually decreased desirability for me.

Some factors (good weather, market conditions, school rating) actually did not affect desirability one way or another for me.

Some factors (pet restrictions, proximity to golf & friends) needed to be factored in.

Some factors I hadn't considered (crime rate) were important to me and I would need to add to my list.

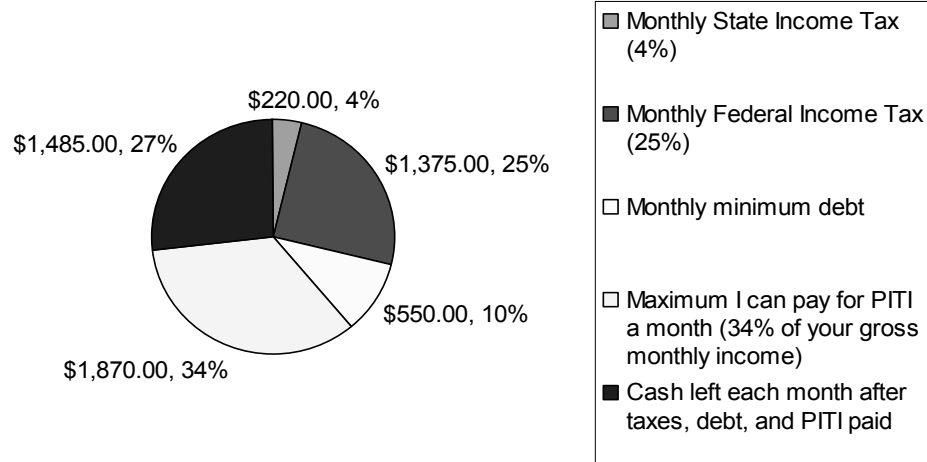


How Much Home I Can Afford



Annual Income	\$66,000.00
Monthly Gross Income	\$5,500.00
Maximum I can pay for PITI a month (34% of my gross monthly income)	\$1,870.00
Maximum Loan Amount I qualify for	\$238,750.00
Maximum Purchase Price I can afford with \$250,000 down	\$488,750.00

How My Monthly Gross Salary is Distributed





House Hunting

1. I narrowed my options to 9 properties and created a spreadsheet with all the information I had about them.
2. I filtered the spreadsheet according to my criteria and discovered that only the single family homes had no pet restrictions and a yard for my dog.
3. This left me with 5 properties. One was more than 15 miles from work so I eliminated that one as an option.
4. I then compared the 4 properties left. Only one of which was brand new built in 2004, which was ideal. It also was the only one with 3 bedrooms – the rest all had 4. Since 3 was the number I was really looking for – this seemed to be the logical home choice.
5. But first ...I would have to consider neighborhood demographics, cost, and make sure it met all of my dream home criteria.

How It Measures Up

10 years or newer	Yes – brand new
Low maintenance	Since it is brand new – it shouldn't need any repairs/ small enough to maintain easily –I will need to landscape the back yard however
Close to golf, sports courts, jogging trails, gym	4 golf courses within 5 miles Several gyms and sports facilities in area
Close to great restaurants, pubs and Starbucks	Lots of pubs and restaurants and 7 Starbucks within 5 mile radius
Easy commute to work	14.6 miles from work
Lots of young professionals in neighborhood	30% in this zip code are young and mobile. 32.5 is the median age 50% of which are under age 35/ Most hold professional and managerial positions
3 bedrooms and less than 2500 sq ft	3 bedrooms and 2450 sq ft
Close to girlfriend and buddies	Within 5 miles of girlfriend and 10 miles of most buddies
Yard for dog	Yes

The Home I Chose

- Single Family Home
- Renton, WA 98056
- \$372,950
- 3 Bed
- 2.5 Bath
- 2,450 Sq. Ft.
- Year built: 2004/New construction
- Lot size: 6629
- Deck and Patio



3 bedroom & 2.5 bath w/main floor den & upstairs open loft. kitchen island, slab granite counters. Dining room w/coffered ceilings & indirect lighting. Large master suite w/private sitting room, double walk-in closets.

Close to Lake Washington, Kennydale and Newcastle. This home development is close to freeways and all community activities.

Homes range in size from 2400-3300 square feet and are priced from the \$370,000s.



Dream Home Costs

Purchase price:	\$372,950
Down Payment:	\$250,000
Loan Amount:	\$122,950
Interest: (5.5% over 10 years)	\$37,169.70
Monthly Payments:	\$1,334.33
Total Payout:	\$410,119.79

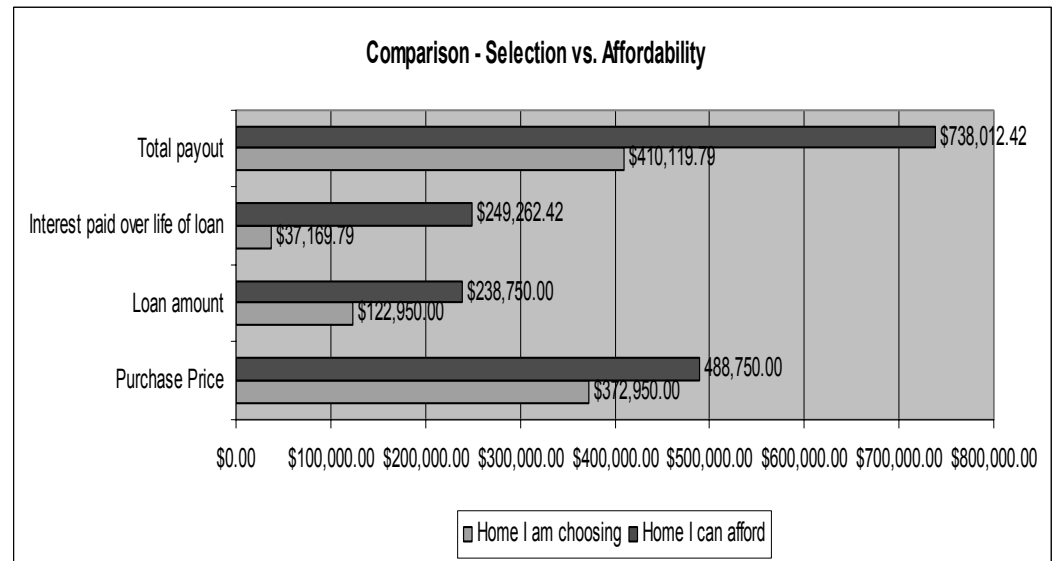
Percentage paid above purchase price over
life of loan: 9.97%

Selection vs. Affordability

By selecting a home that costs \$372,950 instead of the maximum \$488,750 that I can afford...I save:

- **\$115,800** off the purchase price
- **\$212,092.63** in interest (smaller loan needed so I can finance over shorter period) Instead of paying \$249,262.42 in interest (30 yr. loan) I will only be paying \$37,169.79 (10 year loan)

Total Savings = \$327,892.63.

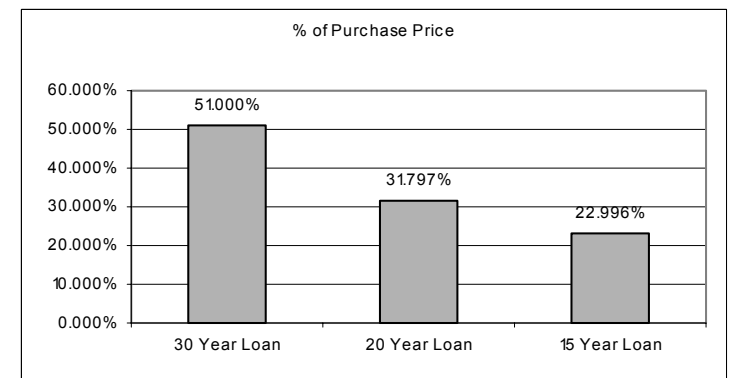
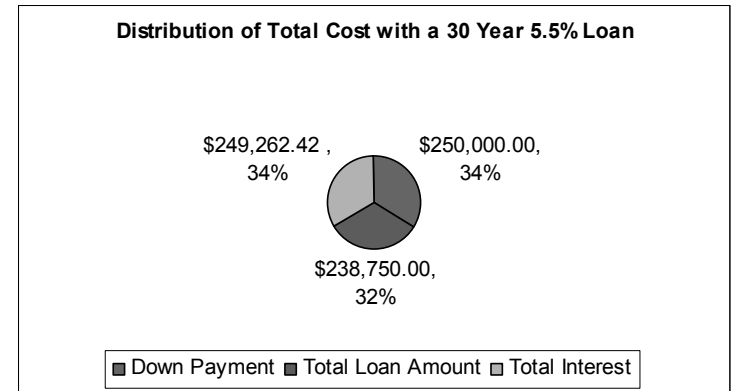


Money Wise

Why I have decided to purchase a home that cost considerably **less** than my budget will allow:

After doing the calculations based on the maximum purchase price I can afford I realized I would pay \$249,262.42 in interest with a 30 year loan which is 34% of the total price to be paid out and 51% above purchase price.

I believe it is in my best interest to select a home that I can afford to finance over 10 years instead so that my money is spent on principal rather than interest.



Without Compromise

Because the home I selected still meets all of the criteria I had determined I wanted in my dream home I haven't compromised my wants.

By making the decision I have, I will own my home 20 years sooner and will save a ton of money over time.

So ten years from now, when I am in my 40's I will own my home. Instead of making monthly house payments, I will be able to invest my money in other ventures, buy additional properties, or save for my retirement.





In Conclusion...

I believe that my Great Aunt would approve of my decision to purchase this particular dream home because:

- I have made a wise decision regarding budget and financing in order to plan for my financial future.
- I chose a beautiful new house; one that meets all of my dream home desires.
- Additionally...If in the future I do get married and start a family, this home will still be perfect. I selected a home that I will not out grow.

Answer the following essay questions. Make sure to support all of your answers and key points with facts, data, and/or examples. Tell me - Show me ... what you have learned from the Dream House Project!

1. When considering a home's square footage, does bigger mean better?

Square footage often means a higher price tag but that doesn't necessarily mean better. Square footage is also usually associated with more bedrooms and bathrooms but again, that is not always the case. To determine whether bigger means better, a potential home buyer needs to consider several factors such as how big is big enough and how big is too big. Ideally you should choose a home that is large enough to be comfortable in and one that accommodates your lifestyle but is not too big to maintain. The bigger the home, the more it will cost to heat and the more time it will take to clean. In addition, more furniture, art and accessories will be needed to fill and decorate it. Finally, the larger the home, the less cozy and warm it tends to feel. In short, a quaint 2 or 3 bedroom cottage may be a much better choice for a single person or small family than a stately mansion.

A home buyer should not look at square footage alone but consider how the square footage is distributed. A home's floor plan is much more important than size. Are there the right number of bedrooms and bathrooms to meet your needs, and if you need to consider future growth in family size, does the home allow for that? Are the rooms that you tend to spend the majority of your time in large enough? How will your furniture fit in the home? These are all important questions one needs to consider. For a married couple with three small children, an 1800 sq. ft. home with 2 additional bedrooms near the Master bedroom is probably a better choice than a 3000 sq ft. home with just 2 formal Master suites. Likewise, a single person who prefers to be out socializing might also prefer a smaller home – perhaps even a condo or townhouse where paying a monthly home owner's due eliminates the need to keep up a yard and paint every few years. Less square footage usually means less to keep up and more time for other things.

Lot size and slope might also be more important than the home's square footage. Again a family with 3 small children might find a home with less square footage but with a large flat lot with room for a swing set and lawn area for running around on, more appealing than a huge home on a stamp-size lot with a tiny patio for a backyard.

Not only is size a factor but location. Many would consider choosing a smaller home in a location better suited for them than a larger home in a less desirable neighborhood. Local schools, crime rate, commute distance, proximity to family and friends, etc., may be much more important than more square footage.

In conclusion, bigger does not always mean better. Of course, if money isn't an issue and you can afford house keepers and gardeners, interior decorators, a huge gas and electric bill, etc. – then perhaps bigger is better – especially if you are trying to appear successful and live life like the "rich and famous."

2. Is it true that the higher the salary, the more home one can buy?

Making more money doesn't necessarily mean you can afford a more expensive home. More important than the salary you make is what you can qualify for when you apply for a home loan. When you apply for a loan several factors figure in to the amount you qualify for--debt being the most important of all. If your debt-to-income ratio is too high, you may not qualify for a loan no matter how much you make.

For example: If two brothers (with annual salaries of \$280,000 and \$20,000 respectively) just inherited \$250,000 to be used toward a down payment, it is possible that the one who only made \$20,000 a year could afford a more expensive home. Although this doesn't seem to make sense, it is true.

If the brother who made \$280,000 was divorced and had to pay alimony, child support, car payments and credit card debt equal to \$9800/a month he wouldn't qualify for a loan at all. This means he could only afford a home equal to his down payment of \$250,000. His brother, however, who only made \$20,000 a year – if he had no debt, could qualify for a loan of up to \$88,000, allowing him to purchase a home up to \$338,000. So making more doesn't necessarily mean you can buy more when it comes to real estate.

Your credit rating also figures into your home loan, primarily affecting the interest rate you qualify for. If you have high credit scores, you can get a better loan rate because the lending company views you as less risk. Also job security and assets figure into the loan process. If you have had steady employment and have built up savings or other assets, a loan institution is more likely to lend you money--again because you are less risk to them. So, one way or another, it is all about credit as opposed to income.

However, if all things were equal and the two brothers both had no debt and high credit scores, the one that made \$280,000 could obviously afford to buy a higher priced home. With no debt, he would qualify for a loan over \$1.2 million which would allow him to buy a home priced about \$1.5 million.

In conclusion, salary does affect how much home you can afford if your credit is good and your debt-to-income ratio is low. But because credit factors are more important than income when applying for a loan, higher salary doesn't necessarily mean you can afford to buy a higher priced home.

3. Explain the phrase: It's all about...location, location, location

Location, Location, Location simply means that where a home is located has a huge effect on its price value. If you were to take the same house and locate it in a variety of neighborhoods the price could vary by as much as a million dollars. For example: In Los Gatos, California (a trendy neighborhood near Silicon Valley where the cost of living is extremely high) a 37 year old 2 bedroom, 2 bath with carport sells for \$1,200,000.00 while a similar house goes for only \$115,000.00 in Fargo, North Dakota and \$128,000.00 in Colorado Springs, Colorado. If prime location is really important to a buyer they most likely will have to compromise on the size of the home and lot and possibly style, floor plan, and condition of the home in order to have it located in a desirable zip code. However, if they are willing to consider a neighboring city they are likely to buy a lot more home for their dollar. Real estate agents will tell you that it all about location, location, location when a home seems ridiculously over priced. However, in most cases if you do buy in the high priced neighborhood, you usually will make money when you go to sell it.

Homes for sale in very desirable neighborhoods usually have multiple offers resulting in bidding wars and the seller often times makes a huge profit. Thus, a small fixer-upper in a great neighborhood is often a much better investment than a beautiful new estate-like home in a less desirable neighborhood which will often sit on the market for months and months without a single offer and many times end up selling for well under asking price.

4. Explain the phrase: One man's cave is another man's castle

The phrase "One man's cave is another man's castle" simply means that we all have different needs and wants, especially when it comes to our home. To some, simply having four walls and a roof over head might be a dream come true while to someone else nothing less than a 7,000 square foot villa would do!

Many factors lead to a person's home choice: Job location, lifestyle, age, marital status, and dependents are just a few of them. A young single might prefer a 750 sq. ft. condo or loft in a popular urban area as opposed to a single family

home in the suburbs. If "To see and be seen," is this person's mantra and night life and hanging out in the hot spots is their way of life, then living in a trendy loft in a big city is likely to be this person's castle.

This same urban loft however is likely to seem more like a cave to a family of six. A spacious 4 bedroom single family home in the suburbs might be closer to their castle.

A bright, warm, cozy traditional English Tudor style cottage might also be another family's castle while a cave to the family looking for a sprawling sleek and contemporary home.

In conclusion, homes come in all different shapes, styles, and sizes. The good news is that with all of this variety a home buyer is likely to find one that fits their needs and wants. However, the real question is... will they be able to afford their castle or just a cave?

5. How can I maximize my purchasing power?

There are a number of things I can do to maximize my purchasing power, such as establish and maintain good credit, keep a low debt to credit ratio on cards each month, develop an employment history that shows stability and consistency, and keep liabilities to a minimum.

I learned that it is crucial to establish credit even if I have enough cash to pay for the things I want to purchase. Without a credit history, it is basically impossible to get a large loan from a lending institution. I also learned that in order to have a high credit score, it is important to not max out your credit cards. Even if I make timely payments each month on my cards and pay more than the minimum required, if my cards are near their maximum limits my debt to credit ratio can cause my credit score to drop. Without a high credit score it is difficult to get a large loan from a lending institution.

Although high credit scores are very important if I wish to maximize my buying power, if I don't have a solid employment history, getting a loan can be difficult. Lending institutions want to know that you are stable, will be receiving regular pay checks and won't be skipping out on them on a whim or defaulting on a loan because you are unemployed.

Finally, keeping liabilities to a minimum is also crucial in order to maximizing my buying potential. If I have alimony, child support, or other court mandated monies deducted from my wages, I am less likely to be able to purchase every thing I would like to. Having liabilities, takes away from what I can afford or save as assets.

Planning for the future by establishing credit early can help me maximize my purchasing power later. Likewise, asking myself important questions before making decisions such as: Will this purchase hurt my credit score by making my debt to credit ratio too high?, Should I take the new job since it will be my third employment move in a year?, Will this marriage last or will I be strapped with alimony payments in 2 years?, can save me from pitfalls that may hurt my ability to buy things later and in the long run can maximize my buying potential.

6. How are our lives affected by the choices we make?

Life is full of choices- choices that have the potential to impact our lives in ways we may not, or could not have imagined. Some choices impact us positively, while yet others, produce negative effects that can linger for years or even a life time. Decisions we make when we are young, such as whether or not to go to college or how to manage finances could help or hurt us down the road when we are in the market to purchase a home.

If we have not established good credit, held a steady job, or have too many liabilities we may not be able to get a loan when we are in the market to purchase a home. However, if we have made wise decisions and are financially stable with a high FICO score, assets, and a solid employment history, we are much more likely to be eligible to

purchase a property. Likewise, when we do purchase that first home, if we select one well within our means, we are more likely to be able to afford to do other things instead of being tied to our mortgage payment.

It is crucial to consider the potential affects our decisions may have down the road if we are to realize our dreams over the long run. After learning that salary isn't everything and how difficult it can be to actually purchase a home, I have learned that planning for my financial future is essential. Establishing credit is important but I must never over extend myself if I want to have that dream home some day!