

Trish and Scott's Big Adventure: An Investigation of Regional Housing Costs Student Worksheet

Directions: As you read through the information below, fill in the correct answers on the reading guide.

Introduction:

Consider the situation of Trish and Scott, a young couple with two small children living in Annapolis, Maryland. Both work. Scott is a family counselor and Trish is a production manager for a small computer company. Trish has just upgraded her education and is thinking about several new job offers, all of which require the family to relocate out of state.



In Annapolis, Trish and Scott live in a 3-bedroom, 2-bath home on a .5 (half acre) lot. The house is 15 years old and is 3,000 square feet in size. Their current monthly house payment is \$1,050, and their combined gross income is \$75,000 per year (Trish earns \$40,000 and Scott earns \$35,000).

According to the Mortgage Bankers Association, 28%-33% of your monthly income is considered the maximum amount you should spend for housing expenses (including loan payment, taxes, and insurance).

In order for Trish and Scott to relocate, they must be able to purchase a 3-bedroom, 2-bath home on at least a .5 acre lot and the home can not be more than 15 years old. Also, the mortgage payment can not be more than 33% of their new projected monthly income (less than 33% would be desirable).

Let's assume:

1. They can sell the Maryland house for \$185,000, pay off their mortgage and have \$30,000 left over for a down payment on a new house.
2. Trish will be earning an additional \$15,000 per year if they move ($\$40,000 + \$15,000 = \$55,000$) and Scott will still be earning \$35,000 per year. Their new income will be \$90,000 per year.
3. Their maximum mortgage allowance is 33% of their new combined monthly income.

Your job today is to examine the housing costs associated with one of Trish's new job offers. Your teacher will assign you a partner (or group, depending on class size) and assign one of the following cities to your group:

Assignment:

1. Using the information above, complete the reading guide on the back side of this paper.
 2. Complete the search for three possible houses in your assigned city, using the worksheet.
 3. Calculate the house payment and complete the last worksheet.
- | | |
|--------------------------|---------------------------------|
| ▪ Belleville, Illinois | ▪ Walnut Creek, California |
| ▪ Bangor, Maine | ▪ Wichita, Kansas |
| ▪ Bozeman, Montana | ▪ New York City (Manhattan), NY |
| ▪ College Station, Texas | ▪ Phoenix, Arizona |
| ▪ Durham, North Carolina | ▪ Las Vegas, Nevada |
| ▪ Salt Lake City, Utah | ▪ Honolulu, Hawaii |
| ▪ Minneapolis, Minnesota | ▪ Lansing, Michigan |
| ▪ Nampa, Idaho | ▪ Memphis, Tennessee |

Name _____ Date _____

General Financial Literacy

Income and Cost-of-Living

Trish & Scott's Big Adventure: Reading Guide

1. Where do Scott and Trish live?
2. What is Scott's job?
3. What is Trish's job?
4. Why are they considering relocating out of state?
5. What are the specifications of the house they are currently living in?
Bedrooms:
Bathrooms:
Lot size:
House age:
House size:
6. What is their current monthly house payment? \$ _____
7. What is their combined gross income? \$ _____
8. According to the Mortgage Bankers Association, what is the **maximum** percentage of total monthly income you should spend for housing expenses? _____%
9. House expenses include what?
10. What percentage of gross income is Trish & Scott's current house payment?
Current monthly house payment amount \$ _____
Total income earned/month by Trish & Scott together \$ _____
Percent of gross monthly income (mthly pymt/mthly income) _____%
11. What are the requirements to make the move?
12. What is a mortgage?
13. For what amount can they sell their current house? \$ _____
14. What amount will they have left over for a down payment? \$ _____
15. What is your job for this assignment?

Name(s) _____ Class period _____

1. City assigned to group: _____

Within the city your teacher assigned to your group, find Trish and Scott a potential house similar to the one they had in Annapolis, using the National Association of Realtor's web site www.realtor.com or other Internet real estate sites.

*Remember, you are looking for a 3,000 square foot, 3-bedroom, 2-bath home, ½ (.5) acre lot, 15 years old or newer.

2. When you have found houses on the web site, select three (3) potential houses. Print a copy of the information for the houses including a picture. Record the information below:

House #1:

- a. The asking price:
- b. Square footage:
- c. Number of bedrooms:
- d. Bathrooms:
- e. Lot size:
- f. Age of the house:
- g. Any other important characteristics:

House #2:

- a. The asking price:
- b. Square footage:
- c. Number of bedrooms:
- d. Bathrooms:
- e. Lot size:
- f. Age of the house:
- g. Any other important characteristics:

House #3:

- a. The asking price:
- b. Square footage:
- c. Number of bedrooms:
- d. Bathrooms:
- e. Lot size:
- f. Age of the house:
- g. Any other important characteristics:

Name(s) _____ Class period _____

3. Calculate Trish and Scott's monthly house payment, using the payment calculator at www.realtor.com

To make the calculation, you need some additional data:

- a. 30-year fixed mortgage
- b. 6.0% interest rate
- c. \$30,000 down payment from sale of house in Maryland

Calculate and record the monthly payment for the houses you selected:

House #1 \$ _____

House #2 \$ _____

House #3 \$ _____

4. How do housing costs compare between Annapolis and the new city?
5. Based on the 28-33% mortgage/gross income rule and \$90,000 gross income, can Trish and Scott afford any of the three houses you selected? Explain. (Divide the new monthly payment by Trish & Scott's monthly income.)

#1.

#2.

#3.

6. Is the increase in Trish's salary enough for them to be able to make it, financially speaking, in the new location? Write your conclusion below. Be prepared to share and discuss your conclusion with the rest of the class.