

Standard 10: The student will explain and compare the responsibilities of renting versus buying a home.

Housing Alternatives

Priority Academic Student Skills

Personal Financial Literacy

Objective 10.1: Compare the costs and benefits of renting versus buying a home.

Objective 10.2: Explain the elements of a standard lease agreement (e.g., deposit, due date, grace period, late fees, and utilities). 

Objective 10.3: Explain the elements of a mortgage (e.g., down payment, escrow account, due date, late fees, and amortization table); types of lenders; and fixed or adjustable rate mortgage loans. 



Lesson Objectives

- ⇒ Identify various housing alternatives.
- ⇒ Determine local housing options, both renting and buying.

Emilio and Justine are getting married as soon as they graduate from high school. They want to live in the city near a bus route so they can commute back and forth to work using the monthly pass paid for by their employers. You have been their best friend since kindergarten, and they need your advice.

Emilio loves to be outdoors. He enjoys swimming, tennis, basketball, and other sporting activities. He thinks they should rent a nice apartment that has a workout room, a pool, and other activities available.

Justine has always lived in a house and wants to rent a small house. She thinks it would be fun to have a yard so they can get a dog and have parties on their patio.

Emilio and Justine have different priorities for finding a place to live.

What do you recommend to them?

Personal Financial Literacy Vocabulary

Apartment: A room or suite of rooms designed as a residence and generally located in a building occupied by more than one household.

Condominium: A building or complex in which units of property, such as apartments, are owned by individuals and common parts of the property, such as the grounds and building structure, are owned jointly by the unit owners.

House: A structure serving as a dwelling for one or more persons, especially for a family.

Introduction



One of the most significant financial decisions people make is finding a place to live. Sometimes we seem to confuse the difference between a house and a home. A house is where people live; a home is the life people make within that building. With that in mind, the best housing alternatives including finding a place that is both affordable and appropriate for a person's lifestyle. Owning a home is frequently called the "American Dream," but people may pursue their personal goals and dreams whether living in a house or a rented apartment. They cannot pursue their dreams if they spend more than they can afford, regardless of where they live.

Lesson

Where do you want to live? Do you like the energy and excitement of the city? Prefer the solitude and quiet of the country? A place to hang out with your friends? Or do you just need a safe place to sleep? Answering these questions will steer you in the right direction when choosing a place to live.

You have many housing options, and sometimes the number of options can seem overwhelming. Just remember that finding a place to live is a financial decision—not an emotional decision. Focus on the amount

PRESENTATION

The slide presentation for this lesson outlines the content in this section. You may want to use it with your students, or print off the slides to use as lecture notes.

you can reasonably afford to spend and be very careful about exceeding that amount. The idea that “a little more will not matter” is what gets most people into financial problems.

Once you have determined the appropriate amount to spend, you are ready to explore your alternatives. Whether buying or renting, take time to understand your rights and responsibilities for each. In addition, you may want to determine your criteria; for example, is it more important to have space to entertain your friends, to have two bedrooms, or to live near a bus stop?

In the box below, list the five most important features you want in a place to live. These criteria should basically be the same whether you rent or buy. Prioritize your list to determine which are the most important and which you would be willing to do without.

When making your list, think about factors such as:

- Location (close to work, in the country, near friends, etc.).
- Space issues (number of bedrooms, size of the kitchen or living room, closet space, etc.).
- Amenities (swimming pool, washer and dryer, townhouse or flat, etc.).
- Safety (outside lighting, deadbolt locks, etc.).
- How long you plan to live there (is it temporary or for several years?).
- Other things you want or need.

Now you can make your list, with one being your most important criteria.

1.

2.

3.

4.

5.

Different Options

Having an idea what you want will help you better evaluate your housing options. Following are several options to consider.

Renting

Renting is often the least expensive housing option and the easiest for your budget to handle. You have a set monthly expense, minimal maintenance responsibility, and the ability to relocate relatively easily when your lease expires. If you are unsure of your plans, renting or leasing is a great option.



When renting, you enter into a legal contract with your landlord for a defined period of time—generally six months to one year. In some cases, you may even be able to get a month-to-month lease if you need more flexibility. However, a month-to-month lease tends to be more expensive and the landlord may have the opportunity to terminate your agreement before you are ready to move.

Apartment complexes tend to offer more amenities than other rental options, and they are usually included in your monthly rent. Some of these extra benefits are workout rooms, laundry facilities, designated or covered parking spaces, and community clubhouses. Sometimes even cable television and Internet access are included. Ask if they are included in your rent before signing your lease because terms will vary from one apartment complex to another.

While apartments offer a great deal of flexibility, the opportunity cost is a lack of privacy. At the same time, renting provides limited responsibilities for maintenance, and it gives you one monthly amount to pay for a place to live.

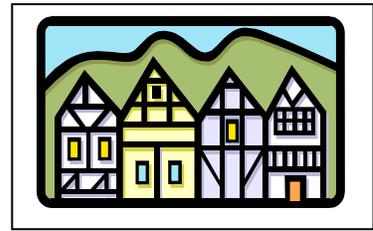
TEACHING IDEA

Have students search through the classified ads in the newspaper to find advertisements on the different kinds of housing options available in your area.

Assign students a living situation (such as a single mom, a college student, an aging couple) to find a place to live in your community. You may also want to include a budgeted amount for them to spend.

Condominiums (Condo)

Condominiums and cooperatives generally offer similar amenities to apartment complexes. The main difference is that condo and coop dwellers generally “own” their units; however, some owners buy condo units and lease them to people who prefer renting instead of owning.



Because condo owners share common areas, each unit owner shares the cost of maintaining these areas by paying monthly fees called homeowner association fees. Some of the shared expenses include landscaping, street maintenance, swimming pools, and tennis courts. Unit owners usually form a board to manage the common areas, set fees, and make other decisions regarding the complex.

One of the advantages of condos and other cooperatives is the limited responsibility for outside maintenance. Most units have a small courtyard or patio space requiring minimal upkeep. One of the disadvantages may be shared space with others in a lifestyle similar to an apartment.

Houses



Houses offer the widest variety of living options and remain the preferred housing choices for most people, regardless of age or income. While most people living in houses own their own homes, many others rent houses just as they would rent an apartment or condo.

You can find houses of almost all sizes and all costs. In addition, you can consider buying an older house in a well-established neighborhood or in a new suburban housing addition. Or, you may want a “fixer-upper” that needs minor repairs or major renovations.

Homeowner associations are becoming increasingly popular to support amenities that are available only to people who live in the neighborhood; and the number of “gated communities” is growing in major metropolitan areas. For safety purposes, gated communities have controlled entrances allowing only people who live there or their guests to enter. The more extras you have available, the more you can expect to pay for living in those neighborhoods.

While houses offer a great deal of flexibility, it also requires a significant investment. You need to have a down payment before buying, and you will need to establish a monthly maintenance fund to pay for the normal upkeep on your home as well as for emergency expenses (new hot water heater, new heating or cooling system, plumbing

problems, etc.) that arise. In addition, you will be responsible for all of the outside maintenance including yard work and landscaping.

Your Decision

Go back to the top five features you identified as your criteria for a place to live. Based on your criteria, which of the following housing options do you think would be the best choice for you?

Apartment

Condo

House

Circle your choice and explain your answer in the box below.



COMPLETE: Housing Choices – Activity 10.1.1
Review student answers before continuing with this lesson.

What have you learned from completing this lesson?

Do you feel more confident about making a housing choice? Why or why not?

Conclusion

Finding a place to live is an important financial choice. While it is tempting to buy or rent the coolest place in town, it can also be extremely expensive. Many people have a tendency to pay more than necessary for their living arrangements because they make an emotional decision about their housing options. A good housing choice also involves finding a place that best suits your lifestyle and your needs. Remember to use the PACED Decision-Making Model when making your decision about housing.

Rather than just telling Emilio and Justine what to do, you might ask them to use the PACED Decision-Making Model to determine their best housing alternative.

First, state the problem: Find a place to live.

Second, write down their list of alternatives: Rent a house or rent an apartment.

Third, determine their criteria: a place to entertain, access to a pool, access to sporting facilities, etc.

Forth, use their criteria to evaluate their options.

While renting a house may not have sport facilities, there may be a park nearby where Emilio can exercise. And, even though an apartment may not have a yard, most will have a patio area or a clubhouse where they can entertain.

Encourage them to also think about costs. For example, a house has a yard that needs to be mowed and an apartment has less privacy.

Name: _____ Class Period: _____

Housing Choices – Activity 10.1.1

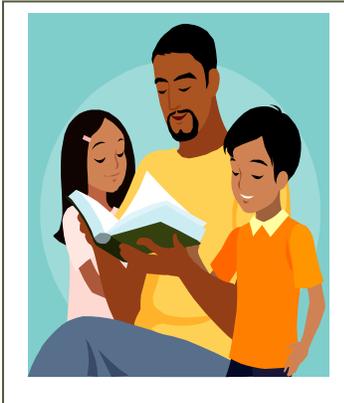
Use your knowledge of housing options to determine appropriate housing choices in the following situations. To complete the activity, circle the best answer and explain your response.



Inez and Omar have two young children. Inez is a stay-at-home Mom and Omar works for a computer software company. They want to find a larger place to live where the children will have room to play. What do you recommend?

APARTMENT CONDO HOUSE

Explain _____



Herman is a single father. He works long hours and he wants to move closer to his mother's house so she can help care for the children. What do you recommend?

APARTMENT CONDO HOUSE

Explain _____



Gina is a young professional. She enjoys playing golf and dining out with friends. Her job requires her to travel frequently and she anticipates a move to another city in the next year. What do you recommend?

APARTMENT CONDO HOUSE

Explain _____



Jessie and Sherman live an active life. They like to entertain and spend time with family. While they enjoy owning their home, it has become too large. They would like something with less maintenance. What do you recommend?

APARTMENT CONDO HOUSE

Explain _____



Marta has been retired for a number of years. She lives alone on a limited income. Her family lives in another state, and she has decided to move closer to them. She wants a small place that she can manage on her own. Would do you recommend?

APARTMENT CONDO HOUSE

Explain _____



Josh just graduated from high school and he plans to go to college in his hometown. Instead of living at home or in the dorm, he plans to move in with one of his buddies. Both have part-time jobs but limited savings. Would do you recommend?

APARTMENT CONDO HOUSE

Explain _____



Josie has a great job as an architect and loves to spend time at home. She has started a retirement account at work and contributes monthly to her savings account. She wants a place to show off her decorating skills. Would do you recommend?

APARTMENT CONDO HOUSE

Explain _____
