



A Roof Over Your Head

FDIC Money Smart for Young Adults



Building: Knowledge, Security, Confidence

Purpose

- **Help you make informed choices about renting your first apartment**
- **Review the basics of getting a mortgage**
- **Help you make decisions and answer questions to determine your readiness to have a place of your own**



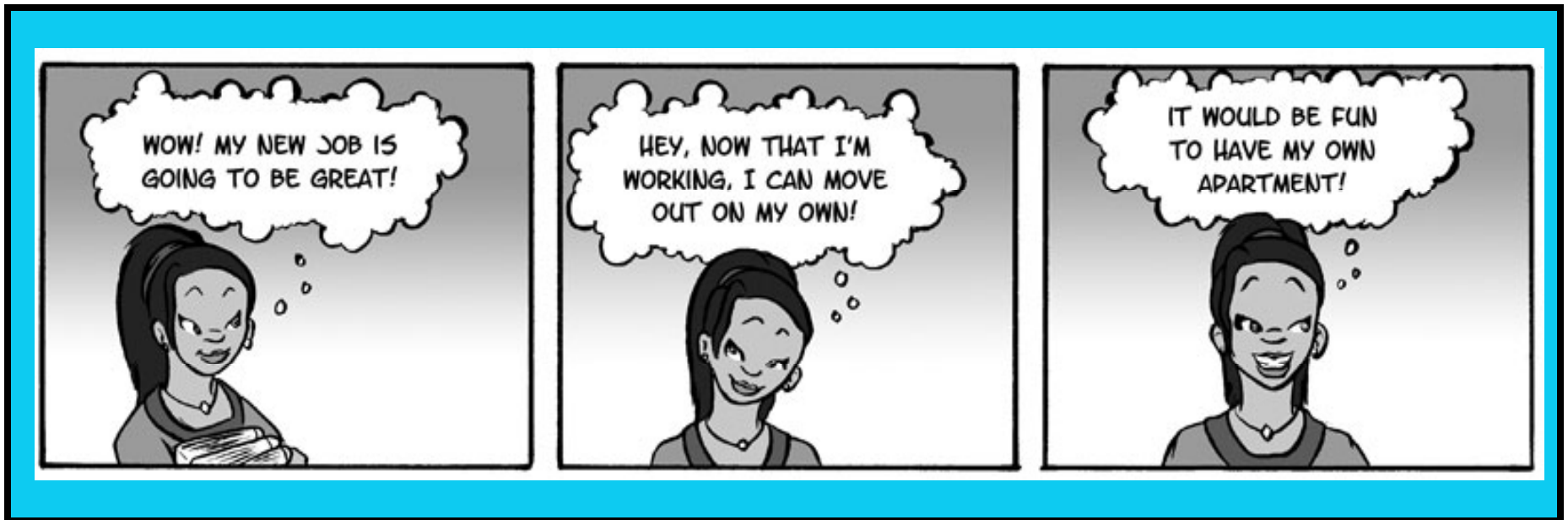
Objectives

By the end of this course, you will be able to:

- Identify initial and continuing costs of renting an apartment
- List questions to ask when determining if you are ready to buy a home
- List costs associated with renting and owning
- Describe the benefits and pitfalls of renting versus owning a home



A Roof Over My Head: is Grace ready?



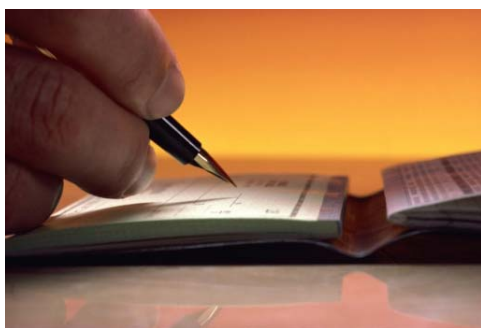
Thinking About Moving Out

- Listen to the scenario
- Based on the information, decide if you would be ready to move out
- Discuss the situation; tell why or why not



Renting Your Own Space

Costs and fees



Security deposit money you give to a landlord to guarantee the apartment

Upfront payments rent paid ahead of time or other fees to live in the space

Utility connections fees to connect utilities



Paying For Your Space

Continuing Costs of Your Living Space

- Rent and other fees (parking, pets, etc.)
- Utilities (electricity, water, gas, telephone)
- Possible rent increases



Paying for Your Space: Roommates



- **Share a house or apartment to split costs**
- **Save money you would otherwise spend on the rent**
- **Get an apartment that is large enough and affordable for more than one person**



Activity 1: Renting Checklist

Complete Activity 1 in your Participant Guide

- Work in groups of 3
- Read the scenario
- Take 10 minutes to complete the exercise



Buying a Home: Mortgages

What is a mortgage?

- A loan, or amount of money, provided by a financial institution to buy a house
- Must be repaid
- Mortgage loans may be divided over 15-30 years



Buying a Home: Costs

Closing costs fees you pay to get a mortgage

Taxes & Insurance property taxes and homeowner's insurance

Interest money charged to borrow money; some is paid up front



Buying a Home: Down Payments

Down
payments
are...

Not considered
costs but still
needed to
purchase a home

Paid to show you
are serious
about buying the
house



Am I Ready to Buy a Home?

You should be prepared:

- **Personally**
- **Professionally**
- **Financially**



Activity 2: Am I Ready to Buy a Home? Checklist

Complete Activity 2 in your Participant Guide

- Take 5 minutes and complete the checklist



Help for Purchasing

Government programs can help you with:

- **Down payments**
- **Discounts for service personnel**
- **First-time homebuyer plans**



Activity 3: Is Grace Ready?

Complete Activity 3 in your Participant Guide

- Take 10 minutes in your small groups to read and discuss the scenario



Parts to a Whole: Mortgage Payment

Mortgage payments are made up of:

- **Principal**
- **Interest**
- **Taxes and/or Insurance**
- **Private Mortgage Insurance (sometimes)**
- **Escrow (sometimes)**



Activity 4: Calculating a Mortgage

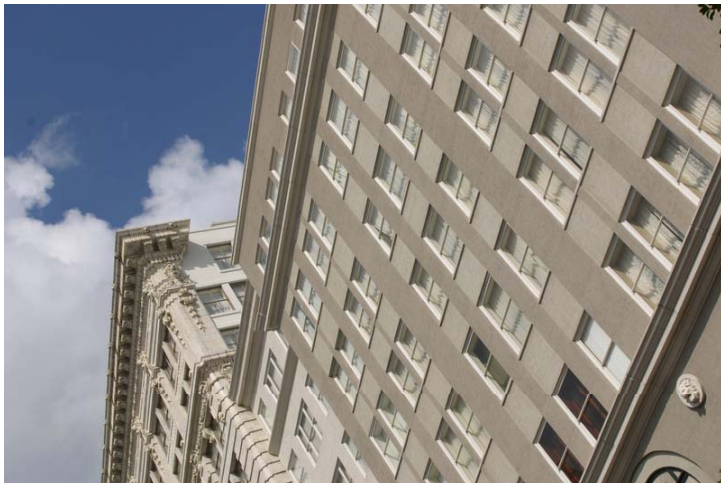
Complete Activity 4 in your Participant Guide

- Take 10 minutes to calculate Grace's entire monthly mortgage payment



Renting vs. Buying

Advantages of renting:



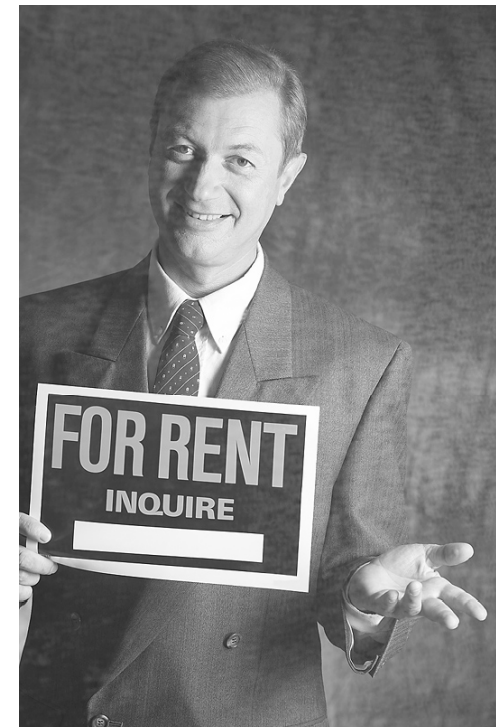
- **Maintenance & repair are the landlord's responsibility**
- **You are under contract for 1 year or less (more if you choose)**
- **No taxes & insurance costs to you**



Renting vs. Buying (continued)

Disadvantages of Renting:

- You do not own your home
- Your rent could increase
- You may not be able to renew your contract
- You are really paying your landlord's mortgage



Renting vs. Buying (continued)

Advantages of owning a home:



- **Build equity**
- **Borrow against equity**
- **Increased value means a good investment**
- **The home is yours when the mortgage is paid in full**
- **Income tax reductions**



Costs of Owning a Home

- **Homeowner's insurance**
- **Real estate taxes**
- **Homeowner's association fees (sometimes)**



CONCLUSION: Grace's Decision



A Roof Over Your Head



Congratulations! You have completed the *A Roof Over Your Head* module.

You have learned about:

- **The costs of securing a place to live**
- **What to expect when applying for a lease or mortgage**
- **What to ask yourself to decide if you're ready to have an apartment or home of your own**
- **Basic mortgage terms**
- **Advantages and disadvantages of renting and buying a home**



Assess Your Knowledge

**Don't forget to complete the
Knowledge Check in your
Participant Guide!**

