MODULE 5: HOUSING

Reality in realty

*Keys to Your Financial Future* is designed to help you plan how to get, manage, and use money now and in the future so you can have the life you envision for yourself. This section of *Keys to Your Financial Future* is about getting **safe**, **stable**, and **affordable** housing.

Finding a safe, secure, and affordable place to live will be one of the first tasks you need to take care of as you transition from foster care to independence. This module will cover how to estimate whether housing is affordable, budgeting to cover housing costs, and understanding your rights as a renter. You will learn how to evaluate a lease agreement. This section will also provide a brief introduction to homeownership designed to help you see both the benefits and costs of owning a home.

You may already be planning to use your matched savings available through the Opportunity Passport™ for housing. If this is the case, this section will be particularly important to you. If you are under 18, this information will be applicable to you when you transition from foster care. If you are over 18, you may be able to use this information immediately.

> Everyone has the right to walk from one end of the city to the other in secure and beautiful spaces. Everybody has the right to go by public transport.
> — RICHARD ROGERS

When you finish this module of *Keys to Your Financial Future*, you will be able to do the following:

- **✓** Explain the qualities of safe, stable, and affordable housing.
- **✓** Explain ways to determine whether housing is affordable.
- **✓** Differentiate needs and wants in terms of housing.
- **✓** Evaluate a lease agreement.
- **✓** Defend your rights as a renter.
- **✓** Explain ways to afford furnishings and other household items.

It can be hard to go to school, save money, maintain employment, invest in social capital, and build other assets if you do not have a secure place to live. Having a safe and affordable place to live is a key to financial independence.

**Safe, Stable, and Affordable Housing**

Having somewhere to live is important. First, housing provides shelter, which is a basic human need. Second, without housing, going to school, keeping a job, taking care of your physical and mental health, participating in the Opportunity Passport™ financial education sessions, or having time to build your social capital becomes more challenging. Having **safe**, **stable**, and **affordable** housing is a key to being financially independent.
What does safe housing mean?


What does stable housing mean?


What does affordable housing mean?


Safe, Stable, and Affordable Housing

There are many different factors that may play into your choice for housing. Focus on three:

- **Safety**—Will you and anyone you are responsible for be free from harm?
- **Stability**—Will you be able to stay there for a predictable amount of time? Do you have rights where you are living?
- **Affordability**—Can you pay for your housing without stressing you or your budget? Are your housing costs below 25% to 40% of your net income?

Affordability and stability are also related. If something is not affordable, you will not be able to stay. If you have to move sooner than you wanted, it’s not stable.

Balancing *safety, stability,* and *affordability* can be difficult. Housing that is safe—in a relatively crime-free neighborhood, for example—may not be affordable. Staying with friends or couch surfing may be affordable, but it is not very stable. Your friends may ask you to move out at any time.

Having *safe, stable,* and *affordable housing* is a key to financial independence. It’s a starting place for education success, employment, and economic stability. It opens the door for building other assets.

Helping you figure out what is *safe, stable,* and *affordable* for you is a big part of this module. While there are many things to consider about choosing housing, this module will focus on the financial issues related to getting housing.
KEY ACTIVITY

What are the Qualities of Safe, Stable, and Affordable Housing?

You have defined **safe**, **stable**, and **affordable** housing. With a partner or your group, identify the ways you can tell if housing is **safe**, **stable**, and **affordable**.

- What are qualities that make housing safe?
- What are qualities that make housing stable?
- What are qualities that make housing affordable?

<table>
<thead>
<tr>
<th>Safe</th>
<th>Stable</th>
<th>Affordable</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Renting versus Buying

Should you rent a place to live? Or should you buy a place? You may have heard people say that renting is like “throwing money away.” Or that renting is “making someone else rich.”

For most people, the decision to rent or buy depends on a number of factors. Some factors are financial:

- Do you have substantial savings to cover the payments if your income temporarily stops or you need to repair the roof?
- Do you have good credit scores?
- Do you have a predictable and stable source of income?

Other factors are about personal preferences:

- Do you like gardening and yard work?
- Do you enjoy the challenge of maintaining a property?
- Do you want to make improvements or remodel a home?

Answering these questions and others can help you determine whether renting or buying is the best choice for you now. Remember that this is just for now. In a few year, five years, or ten years, things may change.

Housing and Asset Building

Why is housing asset building? Because having **safe**, **stable**, and **affordable** housing provides a secure foundation for getting and keeping other assets. Without it, you may not be able to keep up in school, maintain a job, or build your social capital.

Investing in housing is asset building—it’s building a productive asset if you are renting. And if you buy your own home, you have a physical asset, too!
Keys to Your Financial Future Step 5.1: Renting vs. Buying

Complete the following assessment. When you are finished, answer the questions that follow.

<table>
<thead>
<tr>
<th>YES</th>
<th>NO</th>
<th>UNSURE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do you plan to live in this area for at least five years?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Do you have a good amount of savings?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Do you have 5% to 20% of the cost of the house to go toward down payment and closing costs?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Can you handle major changes in your cash flow due to unexpected expenses?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are you okay with not being able to move around?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are you relatively debt-free?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are you interested in making repairs to your home?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Do you have the time and interest to do regular maintenance on your home?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are you interested in remodeling your home or making improvements?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Do you have consistent income?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Would you consider your source of income (your employment or self-employment) stable?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Do you have a good credit score?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Do you own or want to own pets?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Do you have the time and interest to maintain a yard (may not be applicable in all locations)?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are you comfortable with more of your income going to cover housing costs?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total for Each Column
If the YES column total > the NO column total, you may want to explore buying a home.\(^1\)

If the YES column total is = or < the NO column total, you may want to consider renting for the time being.

If the UNSURE column total is > the YES or NO column, you may want to consider renting for the time being.

Based on this assessment, should you rent or buy?

\[\text{Do you agree with this result?} \quad \text{YES} \quad \text{NO}\]

Please explain why you agree or do not agree with the result.

Another tool that can help you decide whether to rent or buy is the price-to-rent ratio. To calculate this you need some information:

- The median price of homes in your area—this is the “price” in the ratio.
- The average or median rent paid for a house or apartment with similar characteristics—they have the same number of bathrooms and bedrooms, comparable square footage, etc.

To calculate the ratio, divide the median price of the home by the monthly rent times 12.

\[\text{Median price of home/(average or median monthly rent } \times 12) = ?\]

- If the resulting number is greater than 18, it means that housing values may be so high that renting might make more sense.
- If the number is less than 15, it means it may be a good time to buy.
- From 15 to 18 is a gray area. It means that other factors may need to be considered also.

\(^1\)If homeownership is right for you, ask your Opportunity Passport™ site staff about which sections of this module you can skip. Because it focuses on renting, some of the information may not be necessary for you.
KeY ACTIVITY

Calculating the Price-to-Rent Ratio

Use the information that follows to help Darnell decide if he should rent or buy. If your team thinks he should consider renting, which neighborhood should he consider based on the price-to-rent ratio?

_Experience taught me a few things. One is to listen to your gut, no matter how good something sounds on paper. The second is that you’re generally better off sticking with what you know. And the third is that sometimes your best investments are the ones you don’t make._

— DONALD TRUMP

Darnell is 25 years old. He transitioned from foster care when he was 21. Since that time, he has been working full time as the assistant manager of a locally owned, high-end restaurant. He has a steady job and plans to stay in the area.

He has been sharing a house with 3 other people he met through his experience on the youth board. But now he wants a place of his own.

He is considering renting or buying in two neighborhoods within the city.

Using the information Darnell has collected about 2-bedroom, 2-bathroom homes and apartments, help him calculate the price-to-rent ratio.

<table>
<thead>
<tr>
<th>Neighborhood 1</th>
<th>Neighborhood 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>➔ Median price of a home: $161,000</td>
<td>➔ Median price of a home: $205,000</td>
</tr>
<tr>
<td>➔ Median rent for apartment with similar characteristics: $975</td>
<td>➔ Median rent for apartment with similar characteristics: $1,050</td>
</tr>
<tr>
<td><strong>What is the price to rent ratio?</strong></td>
<td><strong>What is the price to rent ratio?</strong></td>
</tr>
<tr>
<td>( \frac{161,000}{975 \times 12} = 13.8 )</td>
<td>( \frac{205,000}{1,050 \times 12} = 16.2 )</td>
</tr>
</tbody>
</table>

Finally, you can use one of the many calculators available online to compare renting to buying. Here are two:

- **Ginnie Mae**: [www.ginniemae.gov/rent_vs_buy/rent_vs_buy_calc.asp?section=YPTH](http://www.ginniemae.gov/rent_vs_buy/rent_vs_buy_calc.asp?section=YPTH)

Housing and Asset Building

Is getting housing asset building? What kind of asset are you building?

KeY ACTIVITY

What Kind of Asset is Housing?

With a partner or your group, identify whether each of the housing options listed on page 7 is an asset. If it is, identify what kind of asset it is.
The kind of asset depends on the kind of housing. When you rent, you pay someone else who owns an apartment or house to live in it. While you are basically paying for a service, the apartment gives you a foundation from which to manage your life. Having a _safe, stable, and affordable_ place to live—even if you are renting it, is a productive asset.

When you own a condominium, a mobile home, a house, or even a share or unit in cooperative housing, you own a physical asset, too.

As a young person, you are more likely to rent than buy as you transition from foster care. Because of this, the module focuses more on renting as asset building.

**How does investing in housing contribute to your asset-building portfolio?**

____________________________________________________________________________________________________________________________________________

____________________________________________________________________________________________________________________________________________

____________________________________________________________________________________________________________________________________________

**Does it add balance?**

○ YES    ○ NO    **If no, why doesn’t it?**

__________________________________________________________________

__________________________________________________________________

__________________________________________________________________
Keys to Your Financial Future Step 5.2: Opportunity Passport™ Matched Savings for Housing

Do you plan to use your Opportunity Passport™ matched savings for a housing?

○ YES  ○ NO

If yes, how do you plan to use the Opportunity Passport™ matched savings? (check those that apply)

○ First month’s rent.
○ Security deposit for an apartment.
○ Down payment and closing costs for a house.
○ One-time payment of renter’s or homeowner’s insurance (with 1st month’s rent or down payment).

Savings Goal and Potential Value of Your Opportunity Passport™ Matched Savings

| Amount you will save in your Opportunity Passport™ matched savings | $ |
| Match Rate | × |
| Total potential value of your Opportunity Passport™ matched savings | = |

How much more will you need to get your housing?

______________________________________________________________

What are your plans for coming up with the additional funds you need to get and maintain your housing?

______________________________________________________________

______________________________________________________________

______________________________________________________________
Housing Values and Goals

When it comes to choosing housing, you will have to make trade-offs. This can be the hardest part of picking a place to live. You may want an apartment with one bedroom. You may also want an apartment on the bus route. If you could get only one of these options, which one would you choose?

You may want an apartment with two bedrooms. You may want an apartment with an on-site workout facility. If you could only afford one of these options, which one do you choose?

**KEY ACTIVITY**

**Housing Values Auction**

You will be given an amount of money to buy the different traits associated with housing. Use the worksheet below during the auction to keep track of your activity:

<table>
<thead>
<tr>
<th>What You Bid on and Won</th>
<th>What You Bid on and Lost</th>
<th>What You Didn’t Bid On</th>
</tr>
</thead>
<tbody>
<tr>
<td>Item</td>
<td>Price You Paid</td>
<td>Item</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Item</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Item</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Item</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Item</td>
</tr>
</tbody>
</table>

What is most important to you when it comes to housing?

__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________

What do you think are the opportunity costs you may experience in order to get those things that are most important to you?

__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________
What did this exercise show you that you could live without?

If you were to do this exercise without having to bid against others, would your priorities be different?

Where You Live—The Neighborhood

Where you live is your neighborhood. When picking a place to live, most people consider the neighborhood. Usually they want to know if it’s safe. And by safe, they mean no or little crime.

But is there more to picking a neighborhood? Here are some questions to answer when it comes to picking your neighborhood:

- **Can you walk to a grocery store?** Not just a grocery store, but are there businesses, services, and other organizations that you need in your neighborhood. This may make it more affordable because you won’t have to use transportation to get to some of the places you need to go to regularly. Consider the benefits of living near your school, your community of faith, or your Opportunity Passport™ site.

- **Do you have friends, family, or a trusted adult in the neighborhood?** This can make the neighborhood and your housing more safe and stable. How? With your social network close by, you know you have someone looking out for you. Having people that care about you nearby can help you feel more secure.

- **Can you get safe, reliable, and affordable public transportation?** For a young person leaving foster care, transportation can be a big expense. Public transportation can help keep those costs low. Living on or near a bus line or train or subway stop can make the housing situation more stable and affordable for you.

- **Does it seem like a place where you can meet and greet your neighbors?** This is what really makes a neighborhood safe—a place where people get to know one another. Do people sit on their front porches or front stoops or get together to talk in the common areas? If yes, then this could be a place that is not only safe, but also a place you can expand your social capital.

- **Do people take care of their homes whether they rent them or own them?** If you are buying a house, condo, or co-op, this is one of the first things you will look for in an area. When people take care of their property, it helps keep the value of your property up. But as a renter, does it matter? Yes. A community of people that care about where they live is a good place to live. Because your neighbors care about their apartments and homes, the neighborhood is likely to be safer for you.

When picking a place to live, don’t just consider the apartment or house, look at the neighborhood as well; it could be a source of safety, stability, and affordability.
Keys to Your Financial Future Step 5.3: Choosing a Neighborhood

Using the following chart to help you evaluate different neighborhoods that you are considering. Add other neighborhood characteristics that are important to you.

Circle whether the neighborhood has that trait (YES), has it a little (SOMETHING), or doesn't have it at all (NO). Then add up your responses in each column. The column with the highest number is the one that has most traits you are looking for in the neighborhood.

If you already know where you want to live, you can use this exercise to evaluate whether it has the characteristics that are most important to you. Or you can skip this step.

<table>
<thead>
<tr>
<th>NAME OF NEIGHBORHOOD</th>
<th>Neighborhood 1</th>
<th>Neighborhood 2</th>
<th>Neighborhood 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do you have friends, family or a trusted adult in the neighborhood?</td>
<td>YES 3</td>
<td>YES 3</td>
<td>YES 3</td>
</tr>
<tr>
<td></td>
<td>SOMETHING 1</td>
<td>SOMETHING 1</td>
<td>SOMETHING 1</td>
</tr>
<tr>
<td></td>
<td>NO 0</td>
<td>NO 0</td>
<td>NO 0</td>
</tr>
<tr>
<td>Can you get safe, reliable and affordable public transportation?</td>
<td>YES 3</td>
<td>YES 3</td>
<td>YES 3</td>
</tr>
<tr>
<td></td>
<td>SOMETHING 1</td>
<td>SOMETHING 1</td>
<td>SOMETHING 1</td>
</tr>
<tr>
<td></td>
<td>NO 0</td>
<td>NO 0</td>
<td>NO 0</td>
</tr>
<tr>
<td>Can you walk to a grocery store and other businesses or organizations you use?</td>
<td>YES 3</td>
<td>YES 3</td>
<td>YES 3</td>
</tr>
<tr>
<td></td>
<td>SOMETHING 1</td>
<td>SOMETHING 1</td>
<td>SOMETHING 1</td>
</tr>
<tr>
<td></td>
<td>NO 0</td>
<td>NO 0</td>
<td>NO 0</td>
</tr>
<tr>
<td>Does it seem like a place where you can meet and greet your neighbors?</td>
<td>YES 3</td>
<td>YES 3</td>
<td>YES 3</td>
</tr>
<tr>
<td></td>
<td>SOMETHING 1</td>
<td>SOMETHING 1</td>
<td>SOMETHING 1</td>
</tr>
<tr>
<td></td>
<td>NO 0</td>
<td>NO 0</td>
<td>NO 0</td>
</tr>
<tr>
<td>Do people take care of their homes—whether they rent them or own them?</td>
<td>YES 3</td>
<td>YES 3</td>
<td>YES 3</td>
</tr>
<tr>
<td></td>
<td>SOMETHING 1</td>
<td>SOMETHING 1</td>
<td>SOMETHING 1</td>
</tr>
<tr>
<td></td>
<td>NO 0</td>
<td>NO 0</td>
<td>NO 0</td>
</tr>
<tr>
<td>Other</td>
<td>YES 3</td>
<td>YES 3</td>
<td>YES 3</td>
</tr>
<tr>
<td></td>
<td>SOMETHING 1</td>
<td>SOMETHING 1</td>
<td>SOMETHING 1</td>
</tr>
<tr>
<td></td>
<td>NO 0</td>
<td>NO 0</td>
<td>NO 0</td>
</tr>
<tr>
<td>Other</td>
<td>YES 3</td>
<td>YES 3</td>
<td>YES 3</td>
</tr>
<tr>
<td></td>
<td>SOMETHING 1</td>
<td>SOMETHING 1</td>
<td>SOMETHING 1</td>
</tr>
<tr>
<td></td>
<td>NO 0</td>
<td>NO 0</td>
<td>NO 0</td>
</tr>
<tr>
<td>Other</td>
<td>YES 3</td>
<td>YES 3</td>
<td>YES 3</td>
</tr>
<tr>
<td></td>
<td>SOMETHING 1</td>
<td>SOMETHING 1</td>
<td>SOMETHING 1</td>
</tr>
<tr>
<td></td>
<td>NO 0</td>
<td>NO 0</td>
<td>NO 0</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Housing Budget

Now that you know what is most important to you when it comes to housing, you can make a housing budget.

The first step is figuring out your limit. What can you afford? What is the maximum you should spend on housing? Consider keeping your housing costs below 25% to 40% of your net income. This leaves 60% to 75% of your budget to take care of everything else.

This budget also includes all costs associated with housing, not just the payment of rent or a mortgage payment.

**KEY ACTIVITY**

**Housing Costs**

With a partner or your group, list all of the costs associated with housing. Consider the costs of renting versus the costs of buying a home or condominium.

<table>
<thead>
<tr>
<th>Renting Costs</th>
<th>Buying Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Once you are living independently, you can use this range to ensure your housing costs are not eating up more of your monthly budget than they should be. This means that if you have $1,800 of net income monthly, your total housing costs monthly should not exceed $450 to $720 per month.

\[ \$1,800 \times .25 = \$450 \quad \$1,800 \times .40 = \$720 \]

On average, people in the U.S. spend 34% of their net income on all of their housing costs combined.

“Instead of focusing on the amount of money lacking in your budget, focus on what you DO have: a willing spirit, an imagination filled with bright ideas, people who care about you and can perhaps help you in some way. These are the things that will enable you to do almost anything.”

— PHIL KEOGHAN, NO OPPORTUNITY WASTED

Uses of Net Income

4% Charitable Contributions
2% Education
11% Life Insurance, Retirement & Savings
1% Personal Care
6% Entertainment
6% Healthcare
16% Transportation
3% Clothing

13% Food

25% Housing (Rent + Insurance or PITI)
9% Utilities, Furnishings & Maintenance

Keys to Your Financial Future Step 5.4: Housing Budget Maximum

If you are living independently, complete the following worksheet to identify the most you should spend on all of your housing costs. If you do not yet have an income, project your income when you leave foster care or college. Go back to the workbook about career research and likely starting wages. This can give you a place to begin.

\[
\text{Monthly net income} \times .25 = ______________________
\]

\[
\text{Monthly net income} \times .40 = ______________________
\]

What do you think are the risks of spending more than 40% of your net income on housing?

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

Keys to Your Financial Future Step 5.5: Housing Budget: Renting

If you plan on renting, complete the following budget.

<table>
<thead>
<tr>
<th>One-time or occasional expenses</th>
<th>Ongoing or regular expenses</th>
<th>Total cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>One-time or purchase cost</td>
<td>Occasional expenses</td>
<td>Monthly</td>
</tr>
</tbody>
</table>

- First month’s rent and security deposit
- Utility deposits
  - Electricity
  - Gas
  - Water
  - Cable or Satellite Television
  - Other
Once you have put together your budget, check to make sure your ongoing costs are below the range for housing you identified. Finally, for those expenses that are monthly or occasional (like renter’s insurance) be sure to add them to your bill paying calendar or any other system you use to make sure all of your bills are paid on time.
Ways to Pay for Housing

As a young person who has been in foster care, some programs may be available to help you cover the costs of housing:

- **Chafee Funds**—States can elect to use up to 30% of their funding to support “room and board.” Ask your case worker or Opportunity Passport™ site staff about accessing these funds to pay for housing costs including security deposits, utilities, and furniture.

- **Education, Training, and Voucher Program**—These funds can be used to cover housing costs while you are enrolled in postsecondary education or training.

- **Family Unification Program (FUP)**—Funded by the Department of Housing and Urban Development, the FUP program in partnership with the local public housing authority and the local public child welfare agency provide housing vouchers to young people who have been in foster care. You can only access these by referral from your case worker or by visiting the public housing authority in your community. As a young person in foster care, you can receive FUP vouchers for 18 months.

- **Section 8 Housing Choice Voucher Program**—Through this program, you can rent a place directly from a property owner. You will likely pay only 30% of your gross income toward rent. A subsidy is then paid directly to the property owner. These vouchers can also be used to buy a home.

- **Public Housing Program**—As a young person in foster care, you may qualify for a spot in a public housing residence. These are owned and managed by a local public housing agency. You will likely pay 30% of your gross income to stay in this kind of housing.

- **Transitional Living Program**—Organizations that receive Transitional Living Program dollars must provide young people in foster care with a safe and stable place to live. The living arrangements can include host homes, group homes, and supervised apartments.

Before you leave foster care, get information about these programs. One of the biggest obstacles for young people who have been in foster care is keeping stable and affordable housing. By knowing about these resources, you may be a bit better prepared to handle the challenges of maintaining housing once you leave foster care.
Keys to Your Financial Future Step 5.6: Getting More Information on Ways to Pay

Use the following worksheet to find out more information about ways to pay for rent.

<table>
<thead>
<tr>
<th>What is covered?</th>
<th>Can the funds be used to buy a home?</th>
<th>When are you eligible for these funds?</th>
<th>Who do you contact to get more information or access these funds?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chafee Funds</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education, Training and Voucher Program</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Family Unification Program (FUP)—</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Section 8 Housing Choice Voucher Program</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Housing Program</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transitional Living Program</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Resource</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Resource</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Keeping it Affordable

Once you have housing, it can be tempting to go out and get stuff to make it feel like home. New furnishings, electronics, expensive linens and more! People often turn to credit to furnish their homes.

They buy things with credit cards. Or, they go to rent-to-own stores. At rent-to-own stores, you can get brand-new furniture and a wide range of electronics for a low weekly or monthly payment. This can seem like a good deal as the weekly or monthly payment may seem manageable. After six months to two or more years of regular, on-time payments, you will own the item you have been renting.

But, some people call these businesses “predatory.” This means that they take advantage of people and often end up costing them a lot more money.

**KEY ACTIVITY**

**Furnishing Your Apartment**

Complete the following case study to see whether Andre’ should use a rent-to-own store or buy his furnishings as he can afford them.

Andre’ has a new apartment. He has been waiting for this day for a long time. Growing up in congregate care, he felt like he had little space or time to himself.

His apartment is a wide open loft on the fifth floor of his building. Now he wants to fill his apartment with great looking furniture, a television, and a video gaming system. Luckily, he already has his iPod and docking station for music. He was planning to save to buy the items. Then he saw an advertisement for a rent-to-own store.

He visited the store and figured he could get all of the stuff he wanted right now for only $53.64. At the end of 104 weeks (2 years) he would own everything—as long as he always made his payments.

Help Andre’ figure out what to do.

<table>
<thead>
<tr>
<th>Item</th>
<th>Department Store</th>
<th>Rent-to-Own Store</th>
<th>Weekly Payment</th>
<th>Total Cost to Buy 104 Weeks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sofa and loveseat</td>
<td>$1,048.00</td>
<td>$26.99</td>
<td>104 weeks</td>
<td>$1,946.00</td>
</tr>
<tr>
<td>40” LCD TV</td>
<td>$499.00</td>
<td>$18.45</td>
<td>104 weeks</td>
<td>$53.64</td>
</tr>
<tr>
<td>Video gaming system</td>
<td>$399.00</td>
<td>$8.20</td>
<td>104 weeks</td>
<td></td>
</tr>
<tr>
<td><strong>Total cost to buy these items</strong></td>
<td><strong>$1,946.00</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Weekly payment for all of these items</strong></td>
<td><strong>$53.64</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Money never made a man happy yet, nor will it. The more a man has, the more he wants. Instead of filling a vacuum, it makes one.* —BEN FRANKLIN
What is the advantage of using the rent-to-own store services?


What are the costs?


What should Andre’ do?


Another often over-looked option is buying household items from thrift or consignment shops. You can often find household items from coffee makers to tables in good shape at a fraction of the cost for the same items new. Garage sales can also be a low cost source of household items. Finally, many people use Craigslist to find second-hand household items. Be cautious when shopping on Craigslist. Meet in a public location or bring a trusted adult or friend with you when meeting a seller through Craigslist.

KEY ACTIVITY

Other Strategies to Keep Housing Affordable

With your group, brainstorm ideas for the following question.

What other strategies can you list to keep housing costs—rent, insurance, utilities, household supplies, upkeep, furnishings and décor—affordable?

“A good debt is not as good as no debt. Free from debt is free from care. One who restrains his appetites avoids debt.”

—CHINESE PROVERBS

Keeping Utilities Low

Believe it or not, utilities can eat up a lot of your budget! Utilities include your:

- Heat
- Water
- Cable
- Electricity
- Gas (natural gas, which is commonly used for the furnace and water heater)
- Trash
- Internet
- Phone

... a lot of things that you need.

The best way to save money on utilities is to use less of each.

**How do you use less heat in the winter?**

- Lower the thermostat in the apartment or home (set it to 68 when you are there and 62 when you are away or sleeping).
- Make sure cold air isn’t leaking in around the windows or doors. If it is, your landlord may fix this. Or you can add weather stripping around the doors. You may need to caulk your windows. Visit your local hardware store for information on this.

---

The Cost of Caring for a Pet

One of the great things about getting safe, stable, and affordable housing is the possibility of owning pets. As a young person in care, you may not have had the opportunity to have a companion animal. Having a pet is a huge responsibility. And it is not for everyone. But if you are one of those people interested in pets, consider the costs first.

If you are renting and they allow pets, you are likely paying a slightly larger deposit than you would in a pet-free apartment. And if your pet does any damage, you will lose your deposit.

This is a small cost compared to the ongoing costs of having a pet. According to Visual Economics, you can expect to pay the following:

<table>
<thead>
<tr>
<th>Kinds of Pet</th>
<th>First Year Costs</th>
<th>Annual Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medium Dog</td>
<td>$1,115</td>
<td>$545</td>
</tr>
<tr>
<td>Cat</td>
<td>$640</td>
<td>$500</td>
</tr>
<tr>
<td>Rabbit</td>
<td>$885</td>
<td>$675</td>
</tr>
</tbody>
</table>

Before adding a pet to your household, consider the impact on your budget. To see more about pet costs, visit [visualeconomics.creditloan.com/how-much-our-pets-cost-in-a-lifetime](http://visualeconomics.creditloan.com/how-much-our-pets-cost-in-a-lifetime).
And the good news is that things you do to save money on heat in the winter help you save money on air conditioning in the summer. When your air conditioner is running, set your thermostat higher (set it to 78 when you are home and over 82 when you are away). These practices will save you a lot of money on both heating and cooling your apartment or home.

When it comes to saving money on electricity, turn off what you are not using—it is the best way to save money. This means lights, computers, televisions, and so on. And if you really want to save money AND energy, unplug these items when they are not in use. Believe it or not, even when something is not on, it still draws some energy.

You can also consider:

- Replacing traditional (incandescent) light bulbs with LED light bulbs.
- Replacing appliances with those that are Energy Star rated. (Visit www.energystar.gov for more information.)

And it’s not just electricity you can save on.

- To save money on water, use a low flow toilet. If that is too expensive, you can put a brick in your toilet tank. Or get a low flow tank adapter (it’s like a balloon you put in your toilet tank). This saves gallons of water with every flush!
- Take five minute showers. Every minute you cut off your shower saves 7 gallons of water.
- When brushing your teeth, don’t run the water. Every minute you run the water you use 3 gallons of water!

When you work to save money on utilities, you are also doing things that are good for the environment!

**Credit Reports, Credit Scores, and Housing**

Your credit reports and scores are important when it comes to renting and utilities. If you have a poor credit history or low credit score, a property owner or landlord can do the following:

- Deny your application or not rent you the apartment.
- Require a cosigner on the lease. (When you ask someone to be your cosigner, they will become legally responsible for paying your rent if you do not.)
- Require a larger deposit than would be required of another renter.
- Raise the rent to a higher amount than another application would be charged.

Any of these circumstances is called an “adverse action” because of your credit reports or scores. If any of these things happen, the property owner or landlord must provide you with an adverse action notice. This adverse action notice must include:

- The name, address, and telephone number of the credit reporting agencies—Equifax, TransUnion, or Experian—that supplied the consumer report, including a toll-free telephone number for the credit reporting agency.
- A statement that the credit reporting agency that supplied the report did not make the decision to take the adverse action and cannot give the specific reasons for it.
- A notice of the individual’s right to dispute the accuracy or completeness of any report used against them.
- A statement that the individual has a right to a free report from the credit reporting agencies that provided the information upon request within 60 days.

*Receiving this adverse action notice is your right under the Fair Credit Report Act (FCRA).*
When it comes to credit reports, property owners are looking for these things:

- Bankruptcies.
- Late payments.
- Charge offs.
- Debts in collections.
- Too many accounts open.
- Too many outstanding balances.
- A short credit history.
- Judgments.

These can all indicate trouble paying bills. These factors will work against you as you try to find an apartment or a house to rent. When considering credit scores, different landlords use different ranges. Here is one example using FICO scores:

- 340 to 500 - worst risk
- 500 to 550 - high risk
- 550 to 600 - medium to high risk
- 600 to 650 - medium risk
- 650 to 700 - medium to low risk
- 700 to 820 - low risk

Utility companies also look at your credit scores. If you have low scores, you may be asked to do the following:

- Pay a larger deposit than other customers.
- Get a letter of guarantee or someone to co-sign on this account.

Why do utility companies check your credit scores? Because utilities are like credit. You use the electricity and then you pay the bill. The utility companies want to make sure you will pay for your electricity, gas, or cable television after you have used the services for the month.

Like property owners, different utility companies use different ranges to determine the amount of deposit you must provide. Here is one example:

- FICO score 685 or greater—deposit equal 1.5 times the expected utility use.
- FICO score 550 - 684—deposit equal to 2 times the expected utility use.
- FICO score below 550—deposit equal to 2.5 times the expected utility use.

Having a positive credit history and good credit scores provides you with access to housing. Positive credit also provides access to essential services—electricity, gas, and water—without requiring that you come up with the cash for a large deposit.

If you haven’t started working on your credit history and scores, go back to the second module or meet with the Opportunity Passport™ site staff to develop a plan to start improving your credit reports and scores.

*www.mrlandlord.com/creditscore*
Renter’s Insurance

Renter’s insurance is important when you rent. Why do you need it? To cover both the things in your apartment and give you liability coverage in case someone gets hurt in your apartment.

Some people think: “My landlord must have insurance. That has to protect my things and me.” It doesn’t. The landlord’s insurance protects the property and provides liability coverage to the landlord. It does not protect your things or provide you with liability coverage in your apartment.

Most renter’s insurance policies cover the same things as homeowner’s insurance—fire, theft, vandalism, and water damage. Flood and earthquake damage are generally not included.

Among all of the kinds of insurance you can buy, renter’s insurance is the cheapest. It can range from $5 to $40 per month. Renter’s insurance is often due only once or twice a year.

Rights and Responsibilities as a Renter

As a renter you have rights.

What are rights?

You also have responsibilities.

What responsibilities?

Sometimes rights lead to responsibilities.

The major law that protects you as a renter is the Fair Housing Act. This federal law makes it illegal to discriminate against anyone due to these factors:

- Race or color.
- Religion.
- Sex/gender.
- National origin.
- Familial status.
- Disability.

The act keeps landlords, real estate companies, municipalities, banks, or other lending institutions and homeowner’s insurance companies from discriminating against you when it comes to accessing housing or services related to housing (like insurance).

For example, you cannot be denied an apartment because you have a disability. You can, however, be denied an apartment because you have low credit scores.

You also have the right to housing that is in compliance with health and safety codes. The roof shouldn’t leak, the plumbing should work, there should be enough water and heat, and so on. If something goes wrong, you have the right to have repairs made in a timely fashion.

A landlord must also provide you with prior notice before entering your apartment. Usually the notice of 24-hours is required.

If a landlord has violated any basic rights related to health, safety, and repair, you may be able to get out of a lease without any consequences.

Protecting Your Rights

In order to protect your rights as a renter, you have to know what they are. Luckily there is the U.S. Department of Housing and Urban Development has a Tenants’ Rights Portal. This site provides you with access to your state law governing renters’ rights.

## Security Deposit Limits

<table>
<thead>
<tr>
<th>State</th>
<th>Security Deposit Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arizona</td>
<td>One and one-half months’ rent</td>
</tr>
<tr>
<td>California</td>
<td>Two months’ rent (unfurnished); three months’ rent (furnished). Add extra one-half month’s rent for waterbed</td>
</tr>
<tr>
<td>Colorado</td>
<td>No statutory limit</td>
</tr>
<tr>
<td>Connecticut</td>
<td>Two months’ rent (tenant under 62 years of age); one month’s rent (tenant 62 years of age or older)</td>
</tr>
<tr>
<td>Delaware</td>
<td>One month’s rent on leases for one year or more; no limit for month-to-month rental agreements (may require additional pet deposit of up to one month’s rent); no limit for rental of furnished units</td>
</tr>
<tr>
<td>Florida</td>
<td>No statutory limit</td>
</tr>
<tr>
<td>Georgia</td>
<td>No statutory limit</td>
</tr>
<tr>
<td>Hawaii</td>
<td>One month’s rent</td>
</tr>
<tr>
<td>Illinois</td>
<td>No statutory limit</td>
</tr>
<tr>
<td>Indiana</td>
<td>No statutory limit</td>
</tr>
<tr>
<td>Iowa</td>
<td>Two months’ rent</td>
</tr>
<tr>
<td>Maine</td>
<td>Two months’ rent</td>
</tr>
<tr>
<td>Maryland</td>
<td>Two months’ rent</td>
</tr>
<tr>
<td>Michigan</td>
<td>Two months’ rent</td>
</tr>
<tr>
<td>Missouri</td>
<td>Two months’ rent</td>
</tr>
<tr>
<td>Nebraska</td>
<td>One month’s rent (no pets); one and one-quarter months’ rent (pets)</td>
</tr>
<tr>
<td>New Mexico</td>
<td>One month’s rent (for rental agreement of less than one year); no limit for leases of one year or more</td>
</tr>
<tr>
<td>North Carolina</td>
<td>One and one-half months’ rent for month-to-month rental agreements; two months’ rent if term is longer than two months; reasonable, nonrefundable pet deposit</td>
</tr>
<tr>
<td>Rhode Island</td>
<td>One month’s rent</td>
</tr>
<tr>
<td>Tennessee</td>
<td>No statutory limit</td>
</tr>
<tr>
<td>Texas</td>
<td>No statutory limit</td>
</tr>
</tbody>
</table>

You have the right to receive your security deposit back in full (within 14 to 30 days) if the only change to the apartment is due to normal wear and tear. If you have damaged the apartment and did not fix it, the landlord has the right to use the security deposit. If you do not pay (which is your responsibility) the landlord does not have the right to take any of your property for the payment.

Finally, you are protected from eviction if you have reported a landlord violation. In other words, they cannot legally “get back at you” by evicting you if you report a health, safety, or repair violation.6

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6Sources for this section: The National Multi Housing Council; www.msn.com 15 Common Renter’s Right by Sally Anderson of MSN Real Estate; www.nolo.com
Buying a House

You may have decided that you are ready to buy a home. This means you are likely ready to:

- Commit to living in the same place for over five years.
- Invest time and money in regular maintenance, repairs, and yard work.

You are also probably:

- Relatively debt free.
- Able to handle major changes in your cash flow due to unexpected expenses.
- Have consistent and stable income.

If this is the case, this section will provide a brief introduction to homeownership.

Once you complete this section, meet with the staff at your Opportunity Passport™ site to get referred to homebuyer education training. These courses are very complete and cover everything from selecting your house to paying for your house and maintaining it.

Picking a House

Start with the housing values auction. This will help you identify the qualities that you think are most important in the property that you buy. You can start looking once you have a clear list. There are many places to find homes to buy.

Where can you find homes to buy?

To find a home, you can look in some of the following places:

- Online.
- Newspapers.
- Real estate publications.
- Drive around the neighborhoods you want to buy in and look for homes, condos, or co-ops for sale.
- Use a realtor.
A realtor is one of many professionals you may use as you look for and purchase a home. Who else do you need on your team? According to NeighborWorks America on its *Keys to My Home* website, you may have some or all of the following on your team as you look for, make an offer on, sign a contract for, and buy a home:

- **Housing counselor**—This is the person who will provide you with homebuyer education and one-on-one assistance. They give you information on how to navigate the home-buying process.

- **Real estate professional (Realtor)**—This person will help you find a property that meets your criteria, including a home that is in your price range. This person will try to negotiate the best price for you as a buyer’s agent. Most importantly, a realtor will manage the sale ensuring all documents are in order.

- **Attorney**—A few states require that an attorney write the real estate contract, search the title, and conduct closings. In other states, real estate agents and title insurance companies do these jobs, and attorneys are used to settle disputes or review the terms of any documents being signed.7

- **Escrow officer**—To understand what an escrow officer does, you need to know what escrow is. Escrow includes the funds, documents, and instructions needed to complete the real estate transaction. Escrow starts when the buyer and seller sign a sales contract or real estate purchase agreement. The escrow officer is a neutral third party who manages the escrow and disburses funds and documents as needed. In some states, the title insurance officer fulfills this role. Escrow closes when the deed is issued in the buyer’s name, the seller gets her money, and all other funds are disbursed.

- **Title insurance officer**—This person works for the title insurance company. The title insurance company provides insurance that the title report is accurate and that you can count on it. The title insurance officer will research the title to make sure the seller has the right to sell the property. The title insurance officer prepares an abstract (the name of this special document) that tells you other things, too, including:
  - The taxes that have been paid on the property (the amounts), and whether all taxes have been paid.
  - Restrictions on the use of the property due to zoning or easements—buried electrical cables or sewer lines, or land identified for future public works project such as road widening.
  - Claims against the property (liens).

*Reading the abstract is really important.* This ensures you know what you are buying.

- **Housing inspector**—This person works for you. You should hire a housing inspector. Ask someone not involved in the sales process for recommendations so you get a truly independent report. The housing inspector’s job is to identify any problems with the property before you buy. Problems you find are often the basis for negotiation in the sales process.

- **Appraiser**—This person is supposed to provide an independent valuation of the home. Often the bank hires the appraiser. It may be worth paying for an independent appraiser—one that is not affiliated with the lender, the realtor, or anyone else who stands to gain financially from the transaction.

- **Insurance agent**—This person will determine if your property can be covered and the costs of the coverage.

- **Lender**—This person determines how much you can afford by looking at your income, your debt-to-income ratio, and other financial information about you. This person will also review your credit reports and scores to see:
  - If you qualify for a mortgage.
  - The rate and terms you qualify for.

---

7Quoted from: *Keys to My Home* from NeighborWorks America.
As you begin to shop, you may want to prequalify with at least one lender to see how much you can borrow. This can help you narrow your choices when searching for a house, condo, or co-op.

**Paying for a House**

If you are like most people, you will need to borrow money to buy a house. For many people, borrowing for a home is the largest loan they ever take.

A loan for a home is called a **mortgage**.

As with all loans, the amount of money you borrow is called the **principal**. This is the amount you must pay back.

You also pay **interest**—this is the fee you pay for borrowing the money. It is written as a percentage. You can have a fixed-rate mortgage or an adjustable-rate mortgage.

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**What is a fixed-rate mortgage?**

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**What is an adjustable-rate mortgage (ARM)?**

---

Adjustable-rate mortgages are also called ARMs.

**Which is better—a fixed rate mortgage or an ARM?**

---

With a mortgage, you also have something called closing costs. You have to bring the money to pay for closing costs to the closing.
There are two kinds of closing costs:

- **Recurring**—you pay for them at closing and then every month during the life of the mortgage.
- **One-time.**

**KEY ACTIVITY**

**Recurring Closing Costs versus One-Time Closing Costs**

With a partner, categorize the costs you are given as recurring or one-time closing costs.

<table>
<thead>
<tr>
<th>Recurring Closing Costs</th>
<th>One-Time Closing Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Your lender must give you what is called a “good faith estimate” of all of your closing costs within a few days of your loan application being submitted. This gives you a true picture of the funds you will need to complete the sale of the home.

**What Can You Afford?**

There is a lot of advice about what you can afford when it comes to buying a home. A better question may be: “What should you afford?” The housing crisis that the U.S. experienced in 2008 was caused by a lot of different things. One factor was that many people took on more debt than they could handle for homes that were over-valued. Many of these people were told that they “could afford” these loans.

So what should you afford? You can go back to the maximum housing budget covered earlier in this module, which says that all housing costs should be below 25% to 40% of your income. This doesn’t mean your mortgage only. It means:

- The principal you owe.
- The interest on the principal.
- The taxes you owe.
- The insurance payment.

The principal, interest, taxes and insurance (sometimes called PITI) make up your monthly mortgage payment.
The cost of all utilities:
✓ Electricity.
✓ Gas.
✓ Water.
✓ Sewer.
✓ Garbage collection.

Homeowner’s association dues or condominium maintenance fees.

Maintenance costs.

The costs of repairs.

The costs of improvements.

The costs of tools and equipment to maintain your home and property.

So a rent payment of $1,000 and a housing payment of $1,000 are not the same.

With the housing payment comes the added responsibilities and all of the other costs not represented in the monthly mortgage payment.

Most general advice for housing says to keep your housing payment below 28% to 33% of your gross income—this is called your housing payment-to-income ratio. All debt combined should be below 36% to 41% of your gross income—this is called your debt-to-income ratio. (You learned about the debt-to-income ratio in the second module.) When you use an online calculator, estimates will be based on these ratios. Remember, these estimates only include your mortgage payment (PITI).

Financial professionals that emphasize elimination of debt stress keeping the house payment below 25% of gross income.

Finally, you learned about the concept of ALL housing costs—not just the house payment—and keeping those below 25% to 40% of your net income. The most important point is to ensure that what you can take on in terms of house payment is one that you can maintain with all of your other obligations and expenses. The one mistake to avoid is taking on too much house—this can put you in a very bad financial situation.

With all of this advice, it can be hard to figure out how much house to buy. Here is an example of all of these ratios applied to one scenario:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hourly gross income:</td>
<td>$17.95/hour</td>
</tr>
<tr>
<td>Annual gross income:</td>
<td>$37,336</td>
</tr>
<tr>
<td>Annual net income:</td>
<td>$29,922.84</td>
</tr>
<tr>
<td>Monthly gross income:</td>
<td>$3,111</td>
</tr>
<tr>
<td>Monthly net income:</td>
<td>$2,304</td>
</tr>
<tr>
<td>Other monthly debt (car payment):</td>
<td>$255</td>
</tr>
<tr>
<td>Mortgage rate:</td>
<td>3.75% (fixed)</td>
</tr>
<tr>
<td>Mortgage term:</td>
<td>30 years</td>
</tr>
<tr>
<td>Rule</td>
<td>Monthly House Payment</td>
</tr>
<tr>
<td>----------------------------------</td>
<td>-----------------------</td>
</tr>
<tr>
<td>Housing Payment 28% of Gross</td>
<td>$871.08</td>
</tr>
<tr>
<td>Housing payment 33% of Gross or Below</td>
<td>$1026.63</td>
</tr>
<tr>
<td>Housing payment below 25% of Gross</td>
<td>$777.75</td>
</tr>
<tr>
<td>ALL Housing Costs Below 25% to 40% of Net Income</td>
<td>$576</td>
</tr>
<tr>
<td></td>
<td>$921.69</td>
</tr>
</tbody>
</table>

* Money left after house payment (after taxes) to take care of all other expenses including all other housing related expenses and debts.

**In what price range do you think a person in this situation should look for houses? Why?**

**Which rules do you think you will use when identifying a price range for a house or condo?**

While there are many costs involved in buying and maintaining a home, there are also many benefits.

**What are the benefits of homeownership?**
KEY ACTIVITY

Calculate the Equity

With a partner or your group, calculate the equity in the case study below.

*Cameron is 25 years old. She is an Opportunity Passport™ graduate. She has a 4-year-old son and a great job as a paralegal.*

*Two years ago, she purchased a home. She took out a $130,000 loan at 5.00% for 30 years. She put down $12,000 for a down payment and closing costs—$4,200 for closing costs and $7,800 for her down payment. The down payment and closing costs money came from her Opportunity Passport™ matched savings and two other programs that provided assistance to first time homebuyers.*

*When she purchased the home, it was valued at $138,000.*

Calculate her equity for when she purchased the home and today assuming a 2.0% increase in the value of her home per year.

<table>
<thead>
<tr>
<th>Value of Home (Asset)</th>
<th>Minus</th>
<th>Outstanding Mortgage Balance (Liability)</th>
<th>Equals</th>
<th>Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 years ago</td>
<td>$138,000</td>
<td>130,000.00</td>
<td>=</td>
<td></td>
</tr>
<tr>
<td>Today</td>
<td>$143,575</td>
<td>$126,065.92</td>
<td>=</td>
<td></td>
</tr>
</tbody>
</table>

*If her house continues to increase in value at a rate of 2% per year, what will her equity be after 5 years?*

<table>
<thead>
<tr>
<th>Value of Home (Asset)</th>
<th>Minus</th>
<th>Outstanding Mortgage Balance (Liability)</th>
<th>Equals</th>
<th>Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>In 3 years</td>
<td>$152,363</td>
<td>$119,377.35</td>
<td>=</td>
<td></td>
</tr>
</tbody>
</table>

When it comes to homeownership, be sure you are ready for it. Review the *Keys to Your Financial Future Step 5.1: Renting vs. Buying*. Make sure you can say “yes” to most of those questions.

And be prepared for the amount of time it takes to manage and maintain a home, too. Cleaning the house, taking care of repairs, and doing yard work will take time. Do you have the time to dedicate to these tasks? What are you willing to give up in your schedule to make room for these tasks?

*There are many rewards to owning a home. Just be sure to consider both the costs and the benefits of owning a home.*

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*The actual rate at which a home appreciates depends on a lot of factors: location of the home, condition of the home, value of the homes surrounding it, etc. Two percent if used for example purposes only.*
**Housing: Reality in realty**

Congratulations on finishing the fifth module of *Keys to Your Financial Future*.

You have learned about housing as a productive asset in this module. Safe, stable, and affordable housing is a key to financial independence. Housing gives you a foundation so you can invest in and build other assets.

With safe, stable, and affordable housing, you will be better able to handle the demands of school, maintain a job, fulfill the requirements of the Opportunity Passport™, engage in your social networks, and take care of your health.

For many young people coming out of foster care, finding safe, stable, and affordable housing is one of the biggest obstacles. You learned about budgeting for housing as well as resources specifically available to young people who have been in foster care like you. Use these resources to help you find and keep housing.

To continue the development of your asset-building plan, you completed the following steps in this module:

- Keys to Your Financial Future Step 5.1: Renting vs. Buying
- Keys to Your Financial Future Step 5.2: Opportunity Passport™ Matched Savings for Housing
- Keys to Your Financial Future Step 5.3: Choosing a Neighborhood
- Keys to Your Financial Future Step 5.4: Housing Budget Maximum
- Keys to Your Financial Future Step 5.5: Housing Budget
- Keys to Your Financial Future Step 5.6: Getting More Information on Ways to Pay

Use this time to go back and review the work you have done. Get inspired to use your money to make the life you want for yourself, for the people you love, and for your community.

"I figure if I have my health, can pay the rent and I have my friends, I call it content."
—LAUREN BACALL

"Service is the rent we pay for being. It is the very purpose of life, and not something you do in your spare time."
—MARIAN WRIGHT EDELMAN