

**Up Front Home Purchase Cost
Fact Sheet**

FHA: Federal Housing Authority

FHA minimum down payment: 3.5% Must be paid by the buyer

Average Additional Closing Cost: Minimum 3%

Add the cost of prorated mortgage, insurance, and taxes.

Seller is allowed to pay most closing cost, but is not required to do so.

Average Seattle Home Price: \$400,000 Minimum

\$400,000 Purchase

All numbers are rounded to the nearest dollar.

| Up Front Cost for a \$400,000 home | | | | |
|--|--|----------|----------------|--|
| Cost | Explanation | % | Decimal | Calculate Dollar amount |
| Down Payment (DP) | A percentage of the purchase price required to complete the loan | 3% | .03 | 14,000 |
| *Bank Loan Origination Fee | Required by the lender as a fee for getting the loan | 1-3% | .02 | 8,000* |
| *FHA Origination Fee | Required by FHA as a fee for processing the loan | 1.25 % | .0125 | 5,000* |
| UF Mortgage Insurance Premiums (MIP) | Required as insurance when the DP is below 10-20% Can be added to the loan | 1.75% | .0175 | 7,000** |
| Prorated Taxes for Year 1 | Up to 1 year of property taxes Avg. 6 months (.0125 X \$400,000)/2 .0125/2= | | .00625 | 2,500 |
| Prorated Mortgage | Average 15 days –Use Mortgage Calculator (http://www.mortgagecalculator.org/) /2 | | | 920 1839/2 |
| Appraisal | Certifies the value of the property | | | 375 |
| Credit Check | | | | 175 |
| Misc. | | | | 500 |
| Total -Minus funds paid by owner the seller - | *Cost that can be paid by seller | | | 38470 <u>-13,000 (possible)*</u> 25470 <u>-7,000**</u> 18,470 Cash Due |
| Percentage of Purchase Price | https://wa-appliedmath.org/ | | | |

**Up Front Home Purchase Cost
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| Up Front Cost for a \$400,000 home | | | | |
|---|--|----------|----------------|--------------------------------|
| Cost | Explanation | % | Decimal | Calculate Dollar amount |
| Down Payment (DP) | A percentage of the purchase price required to complete the loan | 20 | .2 | 80,000 |
| *Bank Loan Origination Fee | Required by the lender as a fee for getting the loan | 1-3% | .02 | 8,000* |
| *FHA Origination Fee | Required by FHA as a fee for processing the loan | 0 | 0 | 0 |
| UF Mortgage Insurance Premiums (MIP) | Required as insurance when the DP is below 10-20% Can be added to the loan | 0 | 0 | 0 |
| Prorated Taxes for Year 1 | Up to 1 year of property taxes Avg. 6 months (.0125 X \$400,000)/2 .0125/2= | | | 2,500 |
| Prorated Mortgage | Average 15 days –Use Mortgage Calculator (http://www.mortgagecalculator.org/) /2 | | | 920 1839/2 |
| Appraisal | Certifies the value of the property | | | 375 |
| Credit Check | | | | 175 |
| Misc. | | | | 500 |
| Total | | | | 100,470 |
| -Minus funds paid by owner the seller | *Cost that can be paid by seller | | | <u>8,000</u> |
| - | | | | 92,470 |
| Percentage of Purchase Price | | | | |

How much was saved in fees by going conventional with 20% down, versus FHA?

FHA Origination Fee 5,000

UF MIP 7,000

Total 12,000

Approximately, much is saved in the first year of the mortgage in MIP payments (1 ¼% of loan)?

$\$400,000 \times .0125 = \$5,000 / 12 = \$417$ per month

<https://wa-appliedmath.org/>

Text: Financial Algebra Southwestern, Cengage Learning, 2011
Chapter: 8 **Unit number:** 1
Title of unit: Independent Living - Finding A Place To Live
Developed by: Gary Thomas glthomas@seattleschools.org
Date: June 26

Attach the Following Documents:

- 1. Lab Instructions**
- 2. Student Handout(s)**
- 3. Rubric and/or Assessment Tool**

Short Description

Students will attend a real estate open house on the weekend, and bring back one flyer each. Students will share flyers and discuss houses to determine the path to afford them. Students will use MS Excel to compile data on each home.

Home Ownership Plan

LAB PLAN

TEACHER: *(Teacher Prep/Lab Plan)*

⤴ **Lab Objectiv**

Students will work backwards by “beginning with the end in mind” (phrase from Stephen Covey’s 7 Principals of Highly Effective People) to determine the income and savings requirements to purchase a starter home and a dream home.

⤴ **Statement of prerequisite skills needed** *Microsoft Excel data entry and formulas*

⤴ **Vocabulary: Mortgage, Amortization, Down Payment, FHA, PMIT, Conventional Loan, MIP’s**

⤴ **State Standards addressed:** *(Highlight “Green” Standards, you may use your District's Power Standards if applicable)*

⤴ **Math:**

6.1 D Fluently multiply and accurately multiply and divide decimals

6.1 H Solve multi-step word problems involving operations with fractions and decimals.

⤴ **Leadership:** DECA Financial Analysis Events

⤴ **SCAN Skills/Workplace Skills:**

Math, Time Management, Money literacy, Analyzing data

- ⤴ **Teacher Preparation:** *(What materials and set-up are required for this lesson?)*
 - ⤴ Materials: Personal Income distribution chart
 - ⤴ Flyers from real estate open houses or magazines
 - ⤴ 4 computers for groups to input data on Excel
 - ⤴ Set-Up Required:
 - ⤴ <http://www.anytimeestimate.com/FHA/fha-funding-fee-mortgage-insurance.htm>

- ⤴ **Lab Organizational Strategies:**
 - ⤴ Grouping/Leadership/Presentation Opportunities:
Each group will select a facilitator, time keeper, note taker and spokes person
 - ⤴ Cooperative Learning: See above
 - ⤴ Expectations:
 - ⤴ Time-line: **30 minutes at the end of a Friday** to form groups and discuss open house visits
1 double period session for each group to post data to a server and share flyers with other groups, compile data, analyze and complete individual work sheets.

- ⤴ **Post Lab Follow-Up/Conclusions** *(to be covered after student completes lab)*
 - ⤴ Discuss real world application of learning from lab: Student will develop a person financial plan to purchase a starter home and move to a better home.
 - ⤴ Career Applications: Real Estate, Mortgage Banking, Financial Planning

Lab Instructions

1. Get into four groups by counting 1, 2, 3, 4, until everyone has a group.
2. Organize your group into the following roles (everyone must have a job)
Facilitator, Note taker (can have more than 1), time keeper, reporter (reports to whole class)
3. With the group, determine who will bring back a flyer in the following categories
Under 300,000; 300,000-400,000; 400,000-500,000; 500,000 UP. Make sure that you have at least one person in each group for each category.
4. This weekend, go to at least one real estate open house, take the tour, and pick up a flyer. It can be a condo or a single family home. Do not be afraid to inform the agent that you have instructions to bring back a flyer to class. Let the agent know that you will also share the flyer with a parent, in case they know of someone who is interested in buying the property. You may take a parent with you, or go alone. Two or more youth together may not be a good idea.
5. Bring a flyer back to class. Show your flyer to the instructor for 5 points. If students were not successful, offer 3 points to get a flyer from a house for sale, or 2 points for a real estate magazine. Get into your four groups. Put your flyers in a folder with your group # on it. Circulate the folders from group to group. When all flyers have been reviewed, find a flyer that appealed to you for a first home under 400,000), and a move up home, over 400,000. Record the necessary data on your data collection sheet.
- 6.