

Activity 1

SET A HOME-BUYING BUDGET

The first step in shopping for a home is to determine how much you can afford to spend. Look at the families profiled in the chart below and determine the price each can pay for a home using the calculator at www.trulia.com/house-affordability-calculator. Use your city or a city of your choice to answer the calculator's zip code question. After you fill in the chart, answer the questions to learn more about each of the factors that contribute to a home-buying budget.

FAMILY	ANNUAL INCOME	DOWN PAYMENT	MONTHLY DEBT	CREDIT SCORE	HOME PRICE
A	\$100,000	\$50,000	\$1,500	725	\$
B	\$100,000	\$50,000	\$500	725	\$
C	\$100,000	\$50,000	\$1,500	675	\$
D	\$80,000	\$50,000	\$500	725	\$
E	\$80,000	\$30,000	\$500	725	\$
F	\$80,000	\$30,000	\$1,500	675	\$

1. Families A, B, and C all have the same annual income, but their monthly debt and credit scores vary. Where did you see the biggest difference in the home price they can afford – between A and B, A and C, or B and C? What factor seems most responsible for this difference?

2. Families B and D have different incomes, but the same monthly debt and credit score. How does their income difference affect the home price each can afford?

3. Compare the home prices for families A and D. What does the difference suggest about the relative importance of income and debt for determining a home-buying budget?

4. Families D and E are identical except for having different down payments. How important is down payment as a factor in determining how much one can afford to pay for a home?

5. Families D and F have the same income, but their down payment, monthly debt, and credit scores are very different. How do these three factors seem to affect how much they can afford to pay for a home?

6. Based on your analysis of these examples, what advice would you give someone who is planning to shop for a home?
