

1. What type of housing would you suggest for people in the following life situation?

A. A single parent with two school-age children.

As single parent having to take care of two children, first think he or she needs to consider is that the responsibility to raise the children healthily. With time constrain to take care of the two as a parent while needing to work to earn money, I suggest him or her to rent a condominium or a room in apartment or, in case they are not urban people, any housing closed to the workplace or the school of the two children to have time and transportation cause. The place should require minimal maintenance and easy to get to transportation way for the family and should be crowded with kind neighbourhood. So the parent can focus on her or his responsibility to take care of the children not concerning about the bad environment around the house.

B. A two-income couple without children.

As a couple without children, I suppose they might be young or have urban lifestyles preferring to work for themselves before fulfil the family with kids or that they do not want a child. In case they are young and planning to have kids in near future, I suggest them to start planning to build or buy a house in the place close to hospital, school, and not so far from their workshop in order to have best environment for the child. In case they are urban people, a condo with full facilities will do. The fast lifestyle of business people need to utilise accommodation in urban environment. In case they do not want a child, I suggest the two to plan for the house that they could be safely stay in their elder age or buy a condo in the city which when they are retired and get too old for urban life they can sell it for profit which can be use as nursing fee in the future and move to more sub-urban area with lower price in housing yet peaceful.

C. A person with both dependent children and a dependent parent

For this person, I suggest he or she to stay in his or her parent house (if any) and take care of children and parent there to minimise the cost of housing. If the parent does not own a house, then I would suggest to buy a house with facility for everyone in the house; close to hospital for a parent, not so far from school, and not too far from his or her workplace. He or she needs to be remind that the cost of hospital fee will be quite high and try to cut other cost of living to save money for urgent situation.

D. A couple near retirement with grown children.

The type of housing depend on the lifestyle a couple prefer. If they still enjoy the city life, renting a condominium would do. It require less maintenance cost and transportation cost than buying a house and would be easier for their children to access to facilities too. One the other hand if they want a quiet retirement, the sub-urban house would do. even thought it has high cost of maintenance and be farer to the city, the cost of living is lower than stay in a condo. Also, for their children, if they become adults them they can have their choice to own their own accommodation and choose the lifestyles anyway.

2. Which mortgage should result in higher total payments?

Mortgage A : \$349,200

(\$970x12x30)

Mortgage B : \$347,100

(\$760x12x5+\$1,005x25x12=\$45,600+\$301,500)

A is higher.

3. What are the two main types of consumer credit?

1. Closed-End Credit 2. Open-End Credit

4. What are the general rules of measuring credit capacity?

- Debt Payments to Income Ratio
- Debt to Equity Ratio

5. A few years ago, Michael Tucker purchased a home for \$100,000. Today, the home is worth \$150,000. His remaining mortgage balance is \$50,000. Assuming that Michael can borrow up to 80 percent of the market value, what is the maximum amount he can borrow?

- Market value : \$150,000
- Amount of borrow : up to 80%
- The total amount he can borrow : $(.80)(\$150,000) = \$120,000$
- Mortgage balance : \$50,000, hence, we need to subtract the remaining mortgage balance with the total amount that he can borrow.
- The maximum amount he can borrow is then \$70,000