KRITTAWAT SIRICHANTAROPAS
5704640761

1) What type of housing would you suggest for people in the following life situations?

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

ANS : In this case perhaps a small house with double bed room or condominium would be nice as it would be affordable and located near the city which means it is near workplace and school.

b. A two-income couple without children.

ANS : In this case I believe either small house or condominium would be nice.

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

ANS : In this case a nice house that can provide bedroom for each of the member would be nice.

d. A couple near retirement with grown children.

ANS : In this case, a decent house that they can afford and still have some amount of money left for them to use.

2) Which mortgage would result in higher total payments?

Mortgage A: $970 a month for 30 years

Mortgage B: $760 a month for 5 years and $1005 for 25 years

ANS : We will multiply each year with 12 due to the months.

For mortgage A: 970 x (30x12) = $349,20

For mortgage B: 760 x (5x12) + 1005 x (25x12) = 45,600 + 301,500 = $347,100

We can clearly see that mortgage A will have higher payment than mortgage B.

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

ANS : There are two main types of consumer credit which are, Closed-End and Open-End Credit.

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

ANS : There are two main general rules to measure the credit capacity which are, Debt payments to income ratio and P/E 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?

ANS : Total amount that Michael can borrow = 150,000 x 0.8 = 120,000

Michale owned = 50,000

Total amount Michale can borrow 120,000 - 50,000 = 70,000