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

a) A single parent with two school-age children.
b) A two-income couple without children.
c) A person with both dependent children and a dependent parent.
d) A couple near retirement with grown children.

For a), rental or purchase housing that meet financial needs and provide facilities for children.

For b), rental or purchase housing that offer convenient, flexible lifestyle and gives financial stability in long-term.

For c), rental or purchase housing that meet financial needs and provide facilities for children and elders.

For d), rental or purchase housing that meets financial, social, and physical needs, requires minimal maintenance and offers convenience for emergencies.

2) Which mortgage would result in higher total payments?

a) Mortgage A: $970 a month for 30 years
b) Mortgage B: $760 a month for 5 years and $1005 for 25 years

*For a), $970*30*12 = $349,200*

*For b), ($760*5*12) + ($ 1005*25*12) = 45,600 + 301,500 = 347,100*

Hence, b) gives higher total payments.

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

Closed-End Credit and Open-End Credit

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

The 2 general rules to measure credit capacity are 2 ratios, Debt Payments to Income Ratio and Debt to Equity Ratio.

The recommendations are that, less than 0.2 for Debt Payments to Income Ratio and less than 0.5 for 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?

He can borrow up to 0.8($150,000) = $120,000, then subtracted by what he owes (the mortgage balance) $50,000. We get $120,000 - $50,000 = $70,000 which is the maximum amount he can borrow.