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Individual Assignment

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

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

Rented townhouse in an area close to the school.

b. A two-income couple without children.

Buy a small house or condominium, depending on preference, if not expecting children in the future

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

Buy a house that can accommodate both the children and the parent along with insurance

d. A couple near retirement with grown children.

Live in a house in the same or close area to the house of their children.

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

Mortgage A: $970 x 12 months x 30 years = $349,200
Mortgage B: ($760 x 12 months x 5 years) + ($1005 x 25 years) = $45,600 + $25,125
= $70,725
Mortgage A result in higher total payments

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

Credit cards and installments

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

Debt payments to income ratio and 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?

The maximum amount that he an borrow is ($150,000 x 80%) - $50,000 = $70,000.