



Be it ever so humble, there's no place like home.



John Howard Payne

Overview

Home ownership isn't for everyone. With all the financing, closing costs, legal fees and other expenses associated with owning a home, it's definitely a long-term commitment to financial responsibility.

You also have to think about the upkeep of a home. Everything from cutting the grass to putting on a new roof is your responsibility. Maintenance costs, property taxes, utility bills and other expenses can get into some sizable payments.

But when you take full financial and maintenance responsibility for a home, there are also substantial financial advantages. The part of your monthly payment that goes towards the principal is all equity. As your equity increases with time (and payments) it will be a source of financial stability for you, giving you collateral for a loan or producing a large sum of money if you sell.

Goal

Give students a basic understanding of the process and costs involved with home buying.

Time Frame

Three 75-minute periods

Lesson 02.03.01

Renting versus buying

Lesson 02.03.02

Mortgages

Lesson 02.03.03

Home inspection, closing costs, selling

End-of-unit quiz and answer sheet

Each lesson includes black-line print masters for overheads and activities.



Lesson 01
Renting versus buying

.01

Overview

As the old saying goes, the three most important factors to consider when buying a home are “location, location, location.” While this seems silly, there is much truth in this statement. Access to transportation, schools, shopping, and other activities is a primary factor that drives the demand for housing.

The process of buying a home can be overwhelming. After comparing renting and buying, students will be introduced to a five-step process for home buying. This framework provides an overview for the activities involved with selecting and purchasing a home.

Goals

Help students understand the benefits and drawbacks of renting and buying.

Introduce students to the five-step process for home buying.

Objectives

Compare benefits and drawbacks of renting and buying your home.

Develop a knowledge of the home-buying process.

Timeline

Activity A	20 minutes
Activity B	20 minutes
Overhead A	15 minutes
Discussion	10 minutes
Note taking	10 minutes

Instructions

Student Activity

Divide students into groups of two or three.

Part 1

Have students make decisions regarding the housing-decision situations on Activity A.

As a class, discuss student answers for the situations. What differences exist among the teams?

What are some reasons for those differences?

Part 2

While remaining in the same groups, have students brainstorm the advantages and disadvantages of buying versus renting. Record their thoughts on Activity B.

Part 3

As a class, discuss the five-step process for buying a house. Use Overhead A to guide the discussion.

Discussion

Discuss group responses as a class.

Have students record all responses on their activity sheets (A, B).

Note taking

Have students record the information from Overhead A.

Teacher Notes

Preparation of required materials prior to lesson.

Assign students to groups.

Introduce Activity A, Rent or buy?

Move about the room from group to group to listen to student responses, and give prompts and suggestions when needed.

As a class, discuss students' findings.

Repeat the same procedure for Activity B, Renting versus buying.

Ensure students are on task and keeping to time constraints.

Discuss with students the five step process for home buying using Overhead A, The home-buying process.

Required Materials

Activity A, Rent or buy? (and answer sheet)

Activity B, Renting versus buying (and answer sheet)
Overhead A, The home-buying process

Assessment and Evaluation

Activities can be used as a formative or summative assessment.

Notebook check.

Additional Web Resources

Practical Money Skills

www.practicalmoneyskills.ca

Select Consumers

Select Life Events

Select Buying a Home

Select To Own or Not to Own

www.practicalmoneyskills.ca

Select Consumers

Select Life Events

Select Renting an Apartment

Select Leases

www.practicalmoneyskills.ca

Select Consumers

Select Life Events

Select Renting an Apartment

Select Finding a Roommate

www.practicalmoneyskills.ca

Select Consumers

Select Life Events

Select Buying a Home

Select The Right House for You

Service Canada

www.servicecanada.gc.ca/en/subjects/housing/index.shtml

Select Renting vs Buying

CBM Canada's Best Mortgage Corp.

www.canadasbestmortgage.com/buying-a-home.php



activity A

Activity A Rent or buy?

02.03.01

name: _____ date: _____

For each of the following situations, circle RENT, BUY, or DEPENDS to indicate your opinion related to this person's housing decision. Give reasons for each response. Answers may vary.

1. Jasmine, age 22, plans to work full-time while completing her college degree in a nearby city.

RATIONALE: RENT BUY DEPENDS

2. Harry, age 44, travels out of town frequently for his sales job. His company may transfer him to another sales territory within a year or two.

RATIONALE: RENT BUY DEPENDS

3. Gino, age 32, recently completed his master's degree in business while working at the same company for the past six years. He has also been able to save nearly \$15,000 over this time period.

RATIONALE: RENT BUY DEPENDS

4. Chelsea, age 19, has just taken her first job as a sales representative trainee for a computer software company.

RATIONALE: RENT BUY DEPENDS

5. Karen and Vincent, ages 54 and 57, are planning to retire within the next few years.

RATIONALE: RENT BUY DEPENDS



Activity A

Rent or buy? (answers)

02.03.01

For each of the following situations, circle RENT, BUY, or DEPENDS to indicate your opinion related to this person's housing decision. Give reasons for each response. Answers may vary.

1. Jasmine, age 22, plans to work full-time while completing her college degree in a nearby city.

RENT

BUY

DEPENDS

RATIONALE:

2. Harry, age 44, travels out of town frequently for his sales job. His company may transfer him to another sales territory within a year or two.

RENT

BUY

DEPENDS

RATIONALE:

3. Gino, age 32, recently completed his master's degree in business while working at the same company for the past six years. He has also been able to save nearly \$15,000 over this time period.

RENT

BUY

DEPENDS

RATIONALE:

4. Chelsea, age 19, has just taken her first job as a sales representative trainee for a computer software company.

RENT

BUY

DEPENDS

RATIONALE:

5. Karen and Vincent, ages 54 and 57, are planning to retire within the next few years.

RENT

BUY

DEPENDS

RATIONALE:



activity B

Activity B

Renting versus buying

02.03.01

name: _____

date: _____

RENTING		BUYING	
ADVANTAGES	DISADVANTAGES	ADVANTAGES	DISADVANTAGES



Activity B

Renting versus buying (answers)

02.03.01

RENTING		BUYING	
ADVANTAGES	DISADVANTAGES	ADVANTAGES	DISADVANTAGES
Ease of mobility	No chance to build equity	Investment and building equity	Financial risks related to having down payment funds, obtaining a mortgage, and fluctuating property values
Fewer responsibilities	Restricted lifestyle, when it comes to decorating, having pets, and other activities	Pride of ownership	Limited mobility if a home is difficult to sell
Lower initial costs	Legal concerns	Flexibility in using the property	Higher living costs due to repairs and maintenance



overhead A

The home-buying process

02.03.01

PHASE 1: Determine home ownership needs

- How much can I afford to spend?
- What type of housing should I buy based on affordability?

PHASE 2: Locate and evaluate a home

- Where do I want to live?
- What aspects of the home need improvement?

PHASE 3: Price the property

- What is an appropriate market price?
- How much negotiation movement exists?

PHASE 4: Obtain financing

- How much down payment do I have?
- What are current mortgage rates?
- How much of a mortgage do I qualify for?
- What type of mortgage should I select?

PHASE 5: Close the purchase transaction

- What is the closing date?
- What funds and documents are needed for the closing?
- Do I understand everything before the final signing?



Lesson 02 Mortgages

.02

Overview

“What type of mortgage should I select?” This common question will be covered with the information on mortgages. Various terms related to mortgages will be outlined. Different mortgages can cost the owner vastly different amounts of money. Students will compare the total costs of mortgages using different mortgage calculators.

Goals

Help students become familiar with the terminology associated with mortgages.

Analyze the various types of mortgages that are available and the advantages and disadvantages of each.

Help students become familiar with the costs of various types of mortgages as well as the variables that exist when selecting a mortgage.

Objectives

Define the basic terms associated with mortgages.

Understand and compare various types of mortgages.

Analyze some of the variables that exist when selecting a mortgage and what impact they would have on the total cost of the mortgage.

Timeline

Activity A	20minutes
Activity B	15minutes
Activity C	15minutes
Discussion	15minutes
Note taking	10minutes

Instructions

Student Activity

Divide students into groups of two.

Part 1

Using the Internet, obtain the definitions for the mortgage terms in Activity A.

Discuss these definitions with the entire class.

Using the Internet, obtain information on the costs and rates for a mortgage.

Discuss the differences that may be present among different financial institutions.

As a class, discuss student answers for the situations.

What differences exist among the teams? What are some reasons for those differences?

Part 2

While remaining in the same groups, have students go onto the Practical Money Skills Web site to use the calculator to determine how much of a house they can afford using Activity B.

Part 3

While remaining in the same groups, have students go onto the Bank of Montreal Web site to use the payment calculator to answer the questions on Activity C.

Discussion

Discuss group responses as a class.

Have students record all responses on their activity sheets (A, B, C).

Discuss with students the two different scenarios to determine how much of a house they can afford (Activity B).

Discuss with students the responses to the mortgage calculations on Activity C.

Note taking

Have students record all responses on their activity sheets (A, B, C).

Teacher Notes

Preparation of required materials prior to lesson.

Assign students to groups.

Introduce the lesson on mortgages.

Move about the room from group to group to ensure they are finding the required Internet sites, and give prompts and suggestions when needed.

As a class, discuss students' findings.

Repeat the same procedure for activities A, B, and C. Ensure students are on task and keeping to time constraints.

Required Materials

Activity A, Mortgage terminology (and answer sheet)

Activity B, How much of a house can you afford? (and answer sheet)

Activity C, Mortgages (and answer sheet)

Assessment and Evaluation

Activities can be used as a formative or summative assessment

Notebook check.

Additional Web Resources

Practical Money Skills

www.practicalmoneyskills.ca

Select Consumers

Select Calculators

Select Mortgages

BMO Financial Group

www.bmo.com

Select Personal Finances

Select Mortgages

Select Calculators

Select Payment Calculator

TD Canada Trust

www.tdcanadatrust.com

Select Mortgages

Select Choosing the Right Mortgage



activity A

Activity A

Mortgage terminology

02.03.02

name: _____

date: _____

MORTGAGE TERM	EXPLANATION AND COMPARISON
Conventional or high-ratio	
Fixed-rate or variable-rate	
Short-term or long-term	
Open or Closed	



Activity A

Mortgage terminology (answers)

02.03.02

MORTGAGE TERM	EXPLANATION AND COMPARISON
Conventional or high-ratio	<p>A conventional mortgage is a loan for no more than 80% of the appraised value or purchase price of the property, whichever is less. The remaining amount required for a purchase (20%) comes from your resources and is referred to as the down payment. If you have to borrow more than 80% of the money you need, you'll be applying for what is called a high-ratio mortgage.</p>
Fixed-rate or variable-rate	<p>When you take out a fixed-rate mortgage, your interest rate will not change throughout the entire term of your mortgage. As a result, you'll always know exactly how much your payments will be and how much of your mortgage will be paid off at the end of your term.</p> <p>With a variable-rate mortgage, your rate will be set in relation to the Prime interest rate (set by the Bank of Canada) at the beginning of each month. In other words, it may vary from month to month.</p> <p>Historically, variable-rate mortgages have tended to cost less than fixed-rate mortgages when interest rates are fairly stable. When rates change, your payment amount remains the same. However, the amount that is applied toward interest and principal will change. If interest rates drop, more of your mortgage payment is applied to the principal balance owing. This can help you pay off your mortgage faster. If interest rates rise, more of the mortgage payment is applied to the interest.</p>
Short-term or long-term	<p>The term is the length of the current mortgage agreement. A mortgage typically has a term of six months to 10 years. Usually, the shorter the term, the lower the interest rate. A short-term mortgage is usually for two years or less. A long-term mortgage is generally for three years or more. The key to choosing between short and long terms is to feel comfortable with your mortgage payments. After a term expires, the balance of the principal owing on the mortgage can be repaid, or a new mortgage agreement can be established at the then-current interest rates.</p> <p>Short-term mortgages are appropriate for buyers who believe interest rates will drop at renewal time.</p> <p>Long-term mortgages are suitable when current rates are reasonable and borrowers want the security of budgeting for the future.</p>
Open or Closed	<p>Open mortgages can be paid off at any time without penalty and are usually negotiated for very short terms. They are suited to homeowners who are planning to sell in the near future or those who want the flexibility to make large, lump-sum payments before maturity.</p> <p>Closed mortgages are commitments for specific terms. If you want to pay off the mortgage balance, you will need to wait until the maturity date or pay a penalty.</p>



activity B

House much house can you afford?

02.03.02

name: _____

date: _____

Input each of the two different scenarios into this calculator and determine how much of a house you can afford. The Web site address is

www.practicalmoneyskills.ca → Calculators → Home & Mortgage
→ How Much House Can You Afford?

	Scenario 1	Scenario 2
How much do you have saved for a down payment?	\$10,000	\$20,000
How quickly do you want to pay off your house?	15 year mortgage	15 year mortgage
How much can you afford to pay toward a house payment each month?	\$1,000	\$1,500
What interest rate do you think you can find on a mortgage?	6%	6%
Anticipated closing costs?	\$800	\$800
Loan origination rate?	1.0%	1.0%
Property tax rate?	3.0%	3.0%
Homeowner's insurance rate?	0.5%	0.5%

How much of a house can I afford?	
Scenario 1	
Scenario 2	

What do you think makes the difference?



Activity B

How much house can you afford? (answers)

02.03.02

Input each of the two different scenarios into this calculator and determine how much of a house you can afford.

The Web site address is

www.practicalmoneyskills.ca → Calculators → Home & Mortgage
→ How Much House Can You Afford?

	Scenario 1	Scenario 2
How much do you have saved for a down payment?	\$10,000	\$20,000
How quickly do you want to pay off your house?	15 year mortgage	15 year mortgage
How much can you afford to pay toward a house payment each month?	\$1,000	\$1,500
What interest rate do you think you can find on a mortgage?	6%	6%
Anticipated closing costs?	\$800	\$800
Loan origination rate?	1.0%	1.0%
Property tax rate?	3.0%	3.0%
Homeowner's insurance rate?	0.5%	0.5%

How much of a house can I afford?	
Scenario 1	\$94,263.50
Scenario 2	\$145,418.56

What do you think makes the difference?

Scenario 2 has double the down payment saved and can pay \$500 more per month on the mortgage.



Activity C Mortgages

activity C

02.03.02

name:

date:

A. Go to this Web site.

**www.practicalmoneyskills.ca → Calculators → Home & Mortgage
→ Mortgage Payment**

B. Fill in the blanks in the chart below using the payment calculator.

	INTEREST RATE (%)	FREQUENCY OF PAYMENTS	MORTGAGE AMOUNT	AMORTIZATION PERIOD (# OF YRS)	PAYMENT
1	7	monthly	100,000	20	
2	7	monthly	100,000	25	
3	5	monthly	100,000	15	

C. Answer the following questions based on the information from the chart in B:

1. What is the total cost of each mortgage in #1 and #2?

20 year— _____ 25 year— _____

What are the advantages and disadvantages of each?

AMORTIZATION	ADVANTAGES	DISADVANTAGES
20 YEARS		
30 YEARS		



Activity C

Mortgages (answers)

02.03.02

A. Go to this Web site.

www.practicalmoneyskills.ca → Calculators → Home & Mortgage
→ Mortgage Payment

B. Fill in the blanks in the chart below using the payment calculator.

	INTEREST RATE (%)	FREQUENCY OF PAYMENTS	MORTGAGE AMOUNT	AMORTIZATION PERIOD (# OF YRS)	PAYMENT
1	7	monthly	100,000	20	775.30
2	7	monthly	100,000	25	706.78
3	5	monthly	100,000	15	790.79

C. Answer the following questions based on the information from the chart in B:

1. What is the total cost of each mortgage in #1 and #2?

20 year— $775.30 \times 20 \times 12 = \$186,072$ 25 year— $706.78 \times 25 \times 12 = \$212,034$

What are the advantages and disadvantages of each?

AMORTIZATION	ADVANTAGES	DISADVANTAGES
20 YEARS	Pay mortgage off faster. Save \$25,962.	Payment is higher, may not leave extra money for unforeseen bills that may come up.
25 YEARS	Lower payment over the term of the mortgage.	Will pay mortgage for an extra 5 years (60 more payments). Will pay a lot more (\$25,962) in interest.



Lesson 03

Home inspection, closing costs, selling

.03

Overview

It is extremely important for potential home buyers to be aware of what to look for when considering the purchase of a home.

The costs associated with finalizing a real estate purchase are discussed. Keep in mind that many students will not be familiar with “closing costs.”

Finally, students are put on the other side of the real estate transaction—as a seller. Several suggestions are offered when selling a home.

Goals

Give students a basic understanding of the process and costs involved with home buying.
Discuss the importance of conducting a home inspection before making a final home-buying decision.
Consider other costs when buying a home.
Outline all of the things to consider when selling a home.

Objectives

Outline important considerations when conducting a home inspection.
Review the closing costs when buying a home.
Understand steps involved in selling a home.

Timeline

Activity A	45 minutes
Overhead A	10 minutes
Overhead B	10 minutes
Note taking	10 minutes

Instructions

Student Activity

Divide students into groups of two.

Part 1—Conducting a home inspection

Ask students to list items that should be considered when evaluating the condition of a home that they might purchase. Use Activity A to organize their information.

Discuss their findings. What items were noted by most students? Have students use the Internet to refer to Web sites that will give them more items to consider. Go to www.tdcanadatrust.com—select: Mortgages, select: Homebuyers Checklist)

Discussion

Discuss group responses as a class to Part 1 Conducting a Home Inspection.

Have students record all responses on Activity A.

Part 2

Use Overhead A to discuss with the class the various closing costs associated with buying a home. Have students take notes from Overhead A.

Part 3

Use Overhead B to discuss with the class the various things to consider when selling a home. Have students take notes from Overhead B.

Notetaking

Have students record all responses on their activity sheet A.
Have students record the information from Overhead A.
Have students record the information from Overhead B.

Teacher Notes

Ensure students are on task and keeping to time constraints.
Preparation of required materials prior to lesson.
At the conclusion of the Buying a home unit, have students take the quiz.

Required Materials

Activity A, Conducting a home inspection (and answer sheet)
Overhead A, Closing costs
Overhead B, Selling your home
Quiz

Assessment and Evaluation

Activities can be used as a formative or summative assessment.
Notebook check.

Additional Web Resources

TD Canada Trust
www.tdcanadatrust.com
Select: Mortgages
Select: Homebuyers Checklist

Practical Money Skills
www.practicalmoneyskills.ca
Select: Consumers
Select: Life Events
Select: Buying a Home
Select: Closing Time

www.practicalmoneyskills.ca
Select: Consumers
Select: Life Events
Select: Buying a Home
Select: Real Estate Agents—For You or Against You



activity A

Activity A

Conducting a home inspection

02.03.03

name: _____ date: _____

Based on personal observations of homes, interviews with homeowners and real estate agents, and using the Internet, list several items to consider when doing an inspection before deciding to buy a home.

HOUSE	ITEMS TO CONSIDER	
exterior facilities	1	
	2	
	3	
exterior construction	1	
	2	
	3	
interior construction	1	
	2	
	3	
interior design	1	
	2	
	3	
location	1	
	2	
	3	



activity A

Conducting a home inspection (answers)

02.03.03

Based on personal observations of homes, interviews with homeowners and real estate agents, and using the Internet, list several items to consider when doing an inspection before deciding to buy a home.

HOUSE	ITEMS TO CONSIDER	
exterior facilities	1	Lawn and garden (check for external water source, electrical outlets)
	2	Garage, driveway (garage door opener?, cracks in driveway?)
	3	Deck, pool, patio
exterior construction	1	Type of construction (wood, brick, siding) External Walls (check for cracks, wear)
	2	Doors and windows (check for cracks, signs of leakage)
	3	Roof (age, condition)
interior construction	1	Number of bedrooms, bathrooms, closets
	2	Kitchen cabinets (check condition). Check if appliances are included
	3	Plumbing, furnace, air conditioning. Check the type and age of each, (e.g., 3/6/12L flush toilets, energy efficient)
interior design	1	Flooring (hardwood, carpet, tile, linoleum) Check condition of hardwood, carpet, linoleum.
	2	Window coverings (curtains, sheers, blinds, etc.). Check if anything is included.
	3	Electrical fixtures (chandeliers, sconces other lighting). Check if all are included.
location	1	Near schools, work, shopping centre
	2	Access to public transportation, parks
	3	Traffic volume on street



overhead A

Overhead A Closing costs

02.03.03

The common costs associated with the settlement of a real estate transaction may include:

- Title search fee (\$50–\$150)
- Title insurance (\$100–\$200)
- Lawyer’s fee (amount varies)
- Appraisal fee (\$300–\$400)
- Credit report (\$25–\$75)
- Home inspection (\$200–\$400)
- Reserves for home insurance and property taxes (amount varies)
- Interest paid in advance (if applicable)
- Land-transfer tax (amount varies)
- CMHC insurance (depends on the amount of the loan)
- Mortgage registration fee (\$50)
- GST on a brand new home



overhead B

Overhead B Selling your home

02.03.03

Prepare your home for selling to increase appeal and market value.

- Make necessary repairs.
- Paint exterior and interior areas.
- Update various features (such as new carpeting or plumbing fixtures).

Determine the selling price, based on

- an appraisal to estimate current market value.
- the location, features, and age of the home.
- current mortgage rates and market demand in your area.

Decide if you will do a "sale by owner."

- Advertise your home in various media (newspapers, Internet, flyers).
- Be ready to meet and show your home to prospective buyers.
- Make use of the services of a lawyer for the legal aspects.

Consider using the services of a real estate agent.

- Interview at least two agents to compare their service and experience.
- Expect the agent to provide a marketing plan and to handle the financial and legal aspects of the sale.
- Communicate with the agent on a regular basis regarding the selling price and prospective buyers.
- Hold an open house for potential purchasers.



Buying a Home

quiz

Quiz

02.03.

name: _____

date: _____

True/False (5 marks)

1. ____ A main advantage of renting is pride of ownership.
2. ____ Buying a home will usually have fewer costs than renting.
3. ____ The home-buying process ends with closing the purchase transaction.
4. ____ A larger down payment will reduce the amount of the mortgage needed.
5. ____ Conventional or “closed” mortgages usually have a rate that changes as market interest rates change.

Multiple Choice (5 marks)

6. A common disadvantage of buying a home is
 - A. few financial benefits
 - B. limited mobility
 - C. restrictions on decorating and having pets.
 - D. conditions in the lease
7. The home buying process starts with
 - A. locating and evaluating a home
 - B. pricing the property
 - C. determining homeownership needs
 - D. obtaining an appraisal of the property
8. The amount of a mortgage a person can afford is affected by
 - A. the location of the house
 - B. her or his income
 - C. the cost of insurance
 - D. his or her age
9. A _____ mortgage has a very large final payment.
 - A. conventional
 - B. graduated-payment
 - C. shared-appreciation
 - D. balloon
10. The charges for settling a real estate transaction are also called _____ costs.
 - A. mortgage
 - B. closing
 - C. possession
 - D. selling

Case Application (5 marks)

Roberto and Shelly have been able to save \$7,000 for a down payment on a house. Roberto would like to buy a large home that is a long drive from their jobs. Shelly would like a small townhouse near their work. What factors should they consider when buying a home?



Answers

Buying a Home

quiz

Quiz

02.03.

True/False (5 marks)

1. **F** A main advantage of renting is pride of ownership.
2. **F** Buying a home will usually have fewer costs than renting.
3. **T** The home-buying process ends with closing the purchase transaction.
4. **T** A larger down payment will reduce the amount of the mortgage needed.
5. **F** Conventional or “closed” mortgages usually have a rate that changes as market interest rates change.

Multiple Choice (5 marks)

6. **A** common disadvantage of buying a home is
B. limited mobility
7. **The home-buying process starts with**
C. determining homeownership needs.
8. **The amount of a mortgage a person can afford is affected by**
B. her or his income.
9. **A _____ mortgage has a very large final payment.**
D. balloon
10. **The charges for settling a real estate transaction are also called _____ costs.**
B. closing

Case Application (5 marks)

Roberto and Shelly have been able to save \$7,000 for a down payment on a house. Roberto would like to buy a large home that is a long drive from their jobs. Shelly would like a small townhouse near their work. What factors should they consider when buying a home?

They should start with how much they are able to afford. Next, they should consider

the location where they would like to live. In addition, they should investigate various

sources and types of mortgages.