Project 4 Buying a Property – Final Report   Name:

Please complete section 3.6 in the textbook before attempting this project. You must include all the calculations you use to find your answers. This project is due by June 16th at 11:59 P.M.

For this assignment, please assume you won't be renting and instead that you'll be purchasing a property. Even if you do plan on renting, think of this as practicing another point of view if you ever decide to earn equity with your monthly housing payments.

Section 1 Your gross pay and net pay

a) Imagine you've graduated with your credentials or degree. Please describe your occupation and use the internet to find your projected annual income for the first year after you graduate. Include the source you used to find your annual income. **This is your annual gross pay**.

b) How much do you pay for federal taxes? (Please use the table from section 3.6 and show each step.)

c) How much do you pay for state taxes? (Please use the table from section 3.6 and show each step.)

d) Now find your annual net pay after taxes by subtracting your federal taxes (part b above) and state taxes (part c above) from your annual gross pay (part a above).

e) Divide the answer you got on part d by 12 to find your monthly net pay after taxes are deducted.

Section 2 Finding a property

a) Continuing to assume you've graduated, where (state, city, area of a city) would you like to live?

b) What kind of property would you like to live in, i.e. single-family home, duplex, townhome, condominium? How many bedrooms and bathrooms would accommodate you and your family?

c) Do some on-line research and find a property in the region where you'd like to live. Please think of this as your first residence which are generally smaller and more affordable than a "dream" residence. State the purchase price and please cite your internet source.

Section 3 Finding your Debt to Income Ratio

a) Assume you'll make a 5% down payment and you're able to get a 30-year fixed rate mortgage at 6.5%. Use our online mortgage calculator (you can find a link at the bottom of your D2L announcements page) to find the monthly mortgage payment. Please write the monthly payment here.

b) Use this table to find your monthly debt. For your mortgage, use the payment you found above. If you don't know a value, for example your student loan payment, find an "average" monthly payment using online sources. Please notice your credit card payment is the minimum needed per month.

Monthly Expenses	Amount ($)
Mortgage	
Monthly alimony or child support payments	
Car loan	
Student loan	
Credit card payments (use the minimum payment)	
Debt (Sum the rows.)	

c) Find your **DTI**. For your monthly debt use the Debt you found above and for your monthly income divide your annual gross pay **(Section 1, part a)** by 12. If the value of your DTI ratio exceeds 43% (0.43) return to section 2 and find a less expensive property. Continue until you have a property that you'll be able to get a mortgage for. Show your ratios below as you go through the process.

Section 4 Determining your monthly payment:

Every month you'll need to make a payment to whoever holds the mortgage on your property. To find your monthly payment you add together your mortgage payment, the cost for private mortgage insurance (PMI), the monthly property taxes you pay to the county and the cost for homeowners insurance in case your property is damaged by say fire or a tornado. Let's find your monthly payment.

a) Start by writing down your monthly mortgage payment? **(Section 3, part a.)**

b) Now find the monthly cost for Private Mortgage Insurance (PMI) which will be 0.038% (0.00038) of the <u>loan amount.</u> The process to find the loan amount is carried out using parts i and ii below.

   i. Start with the purchase price **(section 2, part c)**. _____

   ii. Multiply the purchase price by 95% (0.95). **This is the loan amount**. _____
      (You're using 95% because you made a down payment of 5%.)

   iii. To find the cost for PMI, multiply the loan amount by 0.038% (0.00038). _____

c) Next, find the monthly property taxes by multiplying the purchase price **(section 2, part c)** by 0.11% (0.0011).

d) To find your monthly payment add together the monthly mortgage payment (Section 3, part a), the PMI payment (Section 4, part b, number iii), the property tax payment (Section 4, part c) **and** $100 for homeowner's insurance.

(Please finish section 5 which is on the last page.)

Section 5   Reflection

Write a summary paragraph (between 5 and 10 sentences) reflecting on this project. What did you learn? What did you find interesting or useful? There are no right or wrong answers here.