

LESSON 15: Buying a Home



Money Mastermind Lesson 15, Worksheet 3:

Buy It or Pass?

Scenario 1:

You find a house that's smaller than you want, but it's in a good neighborhood. It's pretty old and there's lots of repair work needed. The house is \$120,000 and you'll put 20% down. The bank offers a 7% interest rate for a 15-year mortgage and you currently make \$2,000 per month, with monthly expenses averaging \$1,200. The repair work will cost \$10,000.

Do you buy it or pass?

Why?

Scenario 2: You have a job, but recently heard that your position may be cut. You can only make a down payment of 10% on your mortgage. Since you're not putting 20% down, you have to pay Private Mortgage Insurance (PMI) that protects the bank in case you can't make payments. The bank offers you a 6% interest rate on a 30-year mortgage of \$450,000.

Do you buy it or pass?

Why?

Scenario 3: You've always wanted to own a condo in the city and finally found one that matches your budget. You have good credit and will put 20% down on the \$450,000 home price. The bank offers a 4% interest rate on a 15-year mortgage. You make \$10,000 a month.

Do you buy it or pass?

Why?