

7-1 FINDING A PLACE TO LIVE

To do now:

1. Write down the objectives
2. Take out earbuds

OBJECTIVES

Calculate the affordability of a monthly rent.

Determine lease signing costs.

Calculate moving expenses.

You will need:

- **Papers on the student table**
- **Textbook**
- **Calculator**
- **Pen or Pencil**
- **Notebook Paper**

Red Items are needed during the lecture



Where will you live when you graduate?

-
-
-

Why?

-
-
-



Why do people rent rather than purchase?

- Lower cost to acquire housing
- Temporary – not ready to settle down
- Some apartments are furnished – This is especially helpful if it is your first place

Example 1

- Alex makes \$61,992 per year.
- He wants to find an apartment to rent.

Estimate how much he can afford to pay for rent each month.

Recommended Range for Housing: No more than 25 to 30% of your gross income

Step 1: Determine monthly gross income

$$\begin{aligned}\text{Monthly pay} &= \frac{\text{Annual salary}}{12} \\ &= \frac{61,992}{12} = \$5,166\end{aligned}$$

Example 1

- Alex makes \$61,992 per year.
- He wants to find an apartment to rent.

Estimate how much he can afford to pay for rent each month.

Recommended Range for Housing : No more than 25 to 30% of your gross income.

Step 2: Determine the range

Housing Range =

monthly gross x .25 **TO** monthly gross x .30

= 5,166 x .25 **TO** 5,166 x .30

= **\$1,291.50 TO \$1,549.80**

Example 1 – You try it!

Bethany's monthly gross income is \$3,840. She wants to rent an apartment that will cost \$1,800 per month. Should she rent this apartment?

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Step 1: Determine monthly gross income

Given

Step 2: Determine the range

Housing Range =

monthly gross x low %_(converted) TO monthly gross x high %_(converted)

= 3,840 x .25 TO 3,840 x .30

= \$960.00 TO \$1,152.00

Should she rent this apartment?

NO!! It is way above the recommended range!

Example 3

Rufus and Maria have found a new apartment that rents for \$1,595 per month.

- They need to pay a \$200 application deposit.
- They are required to provide a credit report that cost \$25.
- They will pay a security deposit equal to one month's rent.
- The landlord requires the first month's rent at the time of signing the lease.
- The landlord also requires the last month's rent at the time of signing the lease.
- The real estate broker charges 10% of the yearly rent.

How much should they expect to pay upfront to move into the apartment?

Add up the expenses:

Example 3

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- They will pay a security deposit equal to **one month's rent**.
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How much should they expect to pay upfront to move into the apartment?

Add up the expenses:

$$\begin{aligned} &= 200 + 25 + 1,595 + 1,595 + 1,595 + .10(1,595 \times 12) \\ &= \mathbf{\$6,924.00} \end{aligned}$$

Example 3 – You try it!

Larry is renting an apartment that will cost \$1,350 per month. He must pay a \$100 application fee and a \$35 credit report fee. His security deposit is two month's rent, and he must also pay the first and last month's rent upon signing the lease. His broker charges 5% of the total year's rent as the fee for finding the apartment. What is the total cost of signing the lease?

Example 3 – You try it!

Larry is renting an apartment that will cost \$1,350 per month. He must pay a \$100 application fee and a \$35 credit report fee. His security deposit is two month's rent, and he must also pay the first and last month's rent upon signing the lease. His broker charges 5% of the total year's rent as the fee for finding the apartment. What is the total cost of signing the lease?

Add up the expenses:

$$\begin{aligned} &= 100 + 35 + 2(1,350) + 1,350 + 1,350 + .05(1,350 \times 12) \\ &= \mathbf{\$6,345.00} \end{aligned}$$

Example 5

- Samantha is moving 130 miles from Madison, WI to La Crosse, WI.
- The moving company quoted a price of \$75 per hour to load and unload and a price of \$5 per mile.
- Samantha figures that with her brother's help she only needs to hire the movers for 6 hours of loading and unloading.

How much will she owe the moving company?

Add up the expenses:

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- The moving company quoted a price of **\$75 per hour** to load and unload and a price of **\$5 per mile**.
- Samantha figures that with her brother's help she only needs to hire the movers for **6 hours** of loading and unloading.

How much will she owe the moving company?

$$\begin{aligned} &\text{Add up the expenses:} \\ &= 6(75) + 5(130) \\ &= \mathbf{\$1,100.00} \end{aligned}$$

Example 5 - You try it!

Samantha's brother flaked out and didn't help pack. This resulted in a total of 9 hours of loading and unloading from the moving company. What was her final bill?

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$$\begin{aligned} &\text{Add up the expenses:} \\ &= 9(75) + 5(130) \\ &= \mathbf{\$1,325.00} \end{aligned}$$

What do I do now?

The 7-1 Assignment

When is it due?

Next Class