



MODULE 12: Making Housing Decisions

PARTICIPANT GUIDE



MONEY SMART for Adults

SEPTEMBER 2018

The Federal Deposit Insurance Corporation is an independent agency created by the Congress to maintain stability and public confidence in the nation's financial system. One way we do that is by providing free, non-biased financial education materials, including this Participant Guide. For more information about our family of Money Smart products, visit www.fdic.gov/moneysmart.

Contents

Welcome	2
Module Purpose.....	2
Section 1: What Are My Options?	3
Making Housing Decisions—What Do You Need and Want?.....	3
<i>Try It: What is Safe and Secure to You?</i>	3
<i>Apply It: Making Housing Decisions—What Do I Need and Want?</i>	4
Renting or Buying	7
<i>Try It: Identifying Important Factors in Housing Decisions</i>	7
<i>Apply It: Important Factors I Want to Consider in Renting and Buying</i>	9
<i>Apply It: Should I Rent or Buy?</i>	10
<i>Apply It: My Housing Options</i>	14
Section 2: What Can I Afford?	19
Housing Costs: What is Affordable?	19
<i>Try It: Estimating Affordability</i>	20
<i>Apply It: Estimating What I Can Afford</i>	25
Section 3: What's Next if I Decide to Rent?	30
Steps to Renting	30
<i>Try It: Reading a Rental Agreement</i>	32
<i>Apply It: My Lease or Rental Agreement Checklist</i>	35
Renter's Insurance	38
Your Rights as a Renter	38
Module Closing	40
Remember the Key Takeaways	40
Take Action	40
Where to Get More Information or Help.....	41
Pre-Training Survey	43
Post-Training Survey	45

Welcome

Welcome to the FDIC's Money Smart for Adults!

This is the Participant Guide for **Module 12: Making Housing Decisions**. Use it during and after training. Mark it up, write in it, take notes—it is yours to keep.

Module Purpose

This module helps you explore your options when making housing decisions.

This module also:

- Explores what safe and secure housing can mean
- Explains how to estimate what is affordable for housing costs
- Discusses renting versus buying
- Explores rental agreements, renter's insurance, and rights and responsibilities in renting

The term "home" is used throughout this module to convey the place a person lives. The term "housing" is used to convey a range of options for a place to call home. Examples include a rented room in a house shared with others, the home of a parent or friend, an apartment, a manufactured home, a condominium, or a single-family house.

If you think buying is the right choice for you, you may want to attend a training session on the home buying process in *Module 13: Buying a Home*.

Section 1: What Are My Options?

We will discuss how to figure out what you need and want in a place to call home and also talk about options for housing.



Key Takeaway 

There are different types of housing. To help prioritize your options, start by defining what safe and secure housing means to you.

Making Housing Decisions—What Do You Need and Want?

Having a safe and secure place to live is important.

Safe and secure may mean different things to different people.

 **Try It: What is Safe and Secure to You?**

How would you describe a “safe and secure” place to live?



Apply It: Making Housing Decisions—What Do I Need and Want?

Read the checklist. Add home features that are important to you and are not listed, using the “Other” rows. Then, check whether the item is a “Need” or a “Want” for you. There are no right or wrong answers. If something is not important to you, check “Not Important.” If you are not sure right now, check “Unsure.”

Neighborhood	Need	Want	Not Important	Unsure
<input type="checkbox"/> Safe neighborhood—low crime, well lit				
<input type="checkbox"/> Affordable cost of living				
<input type="checkbox"/> Diversity in neighborhood in terms of cultures, ethnicities, ages, etc.				
<input type="checkbox"/> Strong disability community and disability-related services				
<input type="checkbox"/> Good schools				
<input type="checkbox"/> Sidewalks				
<input type="checkbox"/> Distance to work, childcare, other needed services, friends, family, other supportive people, stores, parks and other places important to you				
<input type="checkbox"/> Close to health care providers and hospital				
<input type="checkbox"/> Access to public transportation				
<input type="checkbox"/> Accessibility features for people with disabilities				
<input type="checkbox"/> Access to parking				
<input type="checkbox"/> Other (specify):				
<input type="checkbox"/> Other (specify):				

Apply It: Making Housing Decisions—What Do I Need and Want? *continued*

Neighborhood <i>continued</i>	Need	Want	Not Important	Unsure
<input type="checkbox"/> Other (specify):				
<input type="checkbox"/> Other (specify):				

Space	Need	Want	Not Important	Unsure
<input type="checkbox"/> My own bedroom (not shared with anyone)				
<input type="checkbox"/> My own bathroom (not shared with anyone)				
<input type="checkbox"/> My own kitchen (not shared with anyone)				
<input type="checkbox"/> Certain number of bathrooms: ___ (add #)				
<input type="checkbox"/> Certain number of bedrooms: ___ (add #)				
<input type="checkbox"/> Location and size of bedrooms and bathrooms—are they accessible and large enough to accommodate mobility devices?				
<input type="checkbox"/> Living room				
<input type="checkbox"/> Dining room				
<input type="checkbox"/> Family room/Recreation room				
<input type="checkbox"/> Workspace				
<input type="checkbox"/> Ramps				
<input type="checkbox"/> Wide hallways				
<input type="checkbox"/> Yard				
<input type="checkbox"/> Garage				
<input type="checkbox"/> Secure doors and windows				
<input type="checkbox"/> More than one exit to the outside				
<input type="checkbox"/> Other (specify):				

Apply It: Making Housing Decisions—What Do I Need and Want? *continued*

Space <i>continued</i>	Need	Want	Not Important	Unsure
<input type="checkbox"/> Other (specify):				
<input type="checkbox"/> Other (specify):				
<input type="checkbox"/> Other (specify):				

Additional Features	Need	Want	Not Important	Unsure
<input type="checkbox"/> Affordable utilities				
<input type="checkbox"/> Furnished				
<input type="checkbox"/> Includes major appliances				
<input type="checkbox"/> Accessible countertops and storage areas				
<input type="checkbox"/> Grab railings				
<input type="checkbox"/> Other (specify):				
<input type="checkbox"/> Other (specify):				
<input type="checkbox"/> Other (specify):				
<input type="checkbox"/> Other (specify):				

Renting or Buying

Remember, although something may be right for you now, a different option may be right for you in the future.

You can use this space to take notes during the debate/small group discussions.



Try It: Identifying Important Factors in Housing Decisions

For each situation, identify the details that are relevant to the person's decisions about housing.

Situation	Factors that May Affect Housing Decisions
<p>Trisha plans to attend nursing school soon. She wants to stay in her community and work at the local hospital.</p> <p>She lives with her parents in the home where she grew up. Her grandmother, who lives down the road, is moving into an assisted living facility and offered to sell Trisha her home for a good price.</p> <p>Trisha has just enough money saved, combined with some help from her parents, to make a down payment and cover closing costs.</p>	

Try It: Identifying Important Factors in Housing Decisions *continued*

Situation	Factors that May Affect Housing Decisions
<p>Sidney's job requires him to move to a new city every two or three years.</p> <p>He recently moved to a new city and loves it. He uses a wheelchair and especially likes the accessibility of the public transportation system. This is a place that Sidney could see himself living for the long term.</p> <p>Sidney has enough savings and income to purchase a home in this city, comparable to what he is currently renting.</p>	
<p>Mangala, Sangay, and their two children came to the United States several years ago. Mangala and Sangay are both employed and their children are in grade school.</p> <p>They have worked with staff at a HUD-approved housing agency to explore the possibility of buying a home. Based on an analysis of what they can afford, there are several homes in their price range.</p> <p>But the idea of purchasing a home makes them nervous, especially after a friend who lives in the same town lost his home to foreclosure.</p>	



Apply It: Important Factors I Want to Consider in Renting and Buying

You can use this space to write down important factors you want to consider as you decide to rent or buy a place to call home.

Important Factors I Want to Consider in Deciding to Rent

Important Factors I Want to Consider in Deciding to Buy



Apply It: Should I Rent or Buy?

Answer the questions to consider whether you want to pursue renting or buying. Keep in mind that neither renting nor buying may be options for you right now. There may be other options available to you as well, such as living with friends or relatives without paying rent.

Question	Your Answer	Something to Think About
How long do you think you may be staying in the area?		<p>Generally, the longer you plan to stay, the more advantages you get from buying a home.</p> <p>Remember to consider job opportunities and stability as well as community or family connections. These can affect the amount of time you stay in an area.</p>
Do you enjoy home maintenance, yard work, and decorating?		<p>Taking care of a home takes time. Generally speaking, the more house or yard you have, the more time it will take.</p> <p>While you may have some maintenance, decorating, or yard work opportunities in a rental, you will generally spend more time and money on these activities and items if you own your home.</p>
Do you have money available to cover maintenance and repairs?		<p>Some experts report that people tend to spend 1% to 4% of a house's value each year on maintenance and repairs. If you buy a house for \$250,000, you may need to budget \$2,500 - \$10,000 each year.</p> <p>This figure does not generally include improvements to the home, such as new flooring or a remodeled bathroom.</p>
For renting, do you have money to pay your first and last months' rent, a security deposit, and possibly renter's insurance?		<p>For renting:</p> <p>If you rent, you may need to pay money before you move in for the first and last month's rent, a security deposit, and possibly renter's insurance.</p> <p>And you may need money for an application fee, trash fee, amenities fee, pet fee, parking fee, and other potential fees depending on where you rent.</p> <p>Rental assistance may be available. Contact your public housing authority and the management office or landlord for the unit you want to rent and ask what is available.</p>

Apply It: Should I Rent or Buy? *continued*

Question	Your Answer	Something to Think About
<p>For buying, do you have money for a down payment? For closing costs?</p>		<p>For buying: The down payment amount you need may vary from 0 – 20% of the purchase price. For a \$250,000 home, this is \$0 - \$50,000. The more money you pay upfront as a down payment, the less money you will need to borrow.</p> <p>You will also need to pay closing costs, which could range from 2% to 5% of the purchase price. For a \$250,000 home, this could be \$5,000 to \$12,500. You may have to pay some of these costs up front. For other closing costs, you may be able to pay for them by adding to the amount of money you borrow (and have to repay with interest).</p> <p>Down payment assistance and closing costs assistance programs may be available to help you cover these costs.</p>
<p>How is your credit?</p>		<p>For renting: Your credit scores and credit reports can affect:</p> <ul style="list-style-type: none"> ▪ If you can rent ▪ Where you can rent ▪ The amount of your security deposit—the lower your credit scores, the higher your security deposit may be ▪ Whether you will need to get a letter of guarantee or someone to cosign on the rental agreement or lease <p>For buying: Your credit scores and credit reports will determine:</p> <ul style="list-style-type: none"> ▪ What mortgages you will qualify for ▪ How much you will pay for your mortgage <p>For renting and buying: You can get one free credit report every 12 months from each of the three nationwide credit reporting agencies. To order your free annual credit reports, go to Annualcreditreport.com or call toll-free 1-877-322-8228. Remember, ordering your own credit reports does not affect your credit scores.</p>

Apply It: Should I Rent or Buy? *continued*

Question	Your Answer	Something to Think About
Do you have other debt?		<p>For renting: The more debt you have, the less money you have available to cover rent.</p> <p>For buying: The more debt you have, the less money you have available to cover housing costs and the less money you may be able to borrow for a mortgage.</p>
Are you comfortable with more of your income going to the overall costs of housing?		<p>For renting: If you do not pay for housing currently, and decide to rent, you will have increased costs, such as:</p> <ul style="list-style-type: none"> ▪ Utilities not covered by the rent ▪ Other fees ▪ Renter’s insurance <p>For buying: When you own your own home, expenses you may have to pay include:</p> <ul style="list-style-type: none"> ▪ Gas, electricity, heating oil ▪ Water and sewage ▪ Garbage/recycling pick up ▪ Insurance and property taxes ▪ Homeowner’s or property owner’s association dues or fees <p>These costs are in addition to your monthly housing payment. They will vary based on the kind of housing and on the location.</p>

Apply It: Should I Rent or Buy? *continued*

Based on your answers, what do you think is the right option for you right now?

What might be an option for you later?

Is there anything you need to work on so more options are available to you?



Apply It: My Housing Options

The following list explains different housing options. Check those you think might be options for you now.

Keep in mind that neither renting nor buying may be options for you right now. There may be other options available to you, such as living with family or friends without paying rent.

If you have decided to rent, explore options for renting in this chart.

Renting

Renting Options	What Is It?	Watch Out For!	Key Criteria
<p>A room in an apartment or home</p> <p><input type="checkbox"/> <i>Check if this could work for you</i></p>	<ul style="list-style-type: none"> ▪ A room that is yours to use, generally a bedroom. ▪ You rent one room. Use of the kitchen, living room, or other common areas may be included. ▪ This generally means living with other people. 	<ul style="list-style-type: none"> ▪ Ask if there is a lease. ▪ If yes, ensure the lease allows for subleasing. Ask to see the lease agreement or call the landlord and ask if the renter can rent out a room to you. ▪ As someone subleasing a room, your name should be added to the lease. ▪ The rent may include the cost of some or all utilities. ▪ When you sign the lease, understand your responsibility for utilities. For example, if your name is added to the utility bill, you will likely be responsible for utility bills other roommates fail to pay. ▪ The landlord might not accept a Housing Choice Voucher. 	<ul style="list-style-type: none"> ▪ May check credit. ▪ May verify income source.

Apply It: My Housing Options *continued*

Renting Options	What Is It?	Watch Out For!	Key Criteria
<p>An apartment</p> <p><input type="checkbox"/> <i>Check if this could work for you</i></p>	<ul style="list-style-type: none"> ▪ A room or group of rooms owned by someone else. ▪ You can rent a unit in a small building, a condominium from a private owner, or a unit in a large complex. 	<ul style="list-style-type: none"> ▪ Understand the terms of the lease. ▪ The rent may include the cost of some or all utilities such as water, sewer, gas and electric, or you may need to pay the cost of some or all of the utilities in addition to paying the rent. ▪ The landlord might not accept a Housing Choice Voucher. 	<ul style="list-style-type: none"> ▪ May check credit. ▪ May verify income source.
<p>A house</p> <p><input type="checkbox"/> <i>Check if this could work for you</i></p>	<ul style="list-style-type: none"> ▪ A house owned by someone else. ▪ This would also include a duplex—a house divided into two units each with its own entrance. 	<ul style="list-style-type: none"> ▪ Understand the terms of the lease. ▪ Understand what access you have to the features of the home. For example, can you use the garage? ▪ Find out if homeowner's association benefits transfer to you. ▪ Understand how you are supposed to pay for utilities. ▪ If you have roommates, ensure they are on the lease. Find out your responsibility for rent and utilities if roommates don't pay their share. ▪ The landlord might not accept a Housing Choice Voucher. 	<ul style="list-style-type: none"> ▪ May check credit. ▪ May verify income source.

Apply It: My Housing Options *continued*

Renting Options	What Is It?	Watch Out For!	Key Criteria
<p>Privately owned, subsidized housing</p> <p><input type="checkbox"/> <i>Check if this could work for you</i></p>	<ul style="list-style-type: none"> ▪ Apartments offered at reduced rents to people with low income. ▪ Government programs can help landlords offer reduced rents. ▪ May be called “Affordable Dwelling Units” or “Workforce Dwelling Units” or something else. 	<ul style="list-style-type: none"> ▪ Because affordable housing is in short supply throughout the U.S., it may be difficult to find a unit. There could be long waiting lists. ▪ Understand the terms of the lease. 	<ul style="list-style-type: none"> ▪ May check credit. ▪ May verify income source. ▪ Income Eligibility: You may need to have a minimum income that does not exceed a maximum income. You will need to provide proof that you meet those requirements.
<p>Public housing</p> <p><input type="checkbox"/> <i>Check if this could work for you</i></p>	<ul style="list-style-type: none"> ▪ Decent and safe housing for people with low income, senior citizens, and people with disabilities. ▪ May be a single-family house, an apartment, or an apartment complex that includes other supportive services. 	<ul style="list-style-type: none"> ▪ You must work with your local public housing authority to get public housing. There could be long waiting lists. ▪ Understand the rules of the public housing as well as your responsibilities. 	<ul style="list-style-type: none"> ▪ Income eligibility. ▪ May be other criteria based on availability of housing.
<p>Additional options that I know about:</p> <p><input type="checkbox"/> <i>Check if this could work for you</i></p>			

Apply It: My Housing Options *continued*

Buying

If you have decided to buy, explore options for buying in this chart. This is very general information. Buying a home is covered in more detail in *Module 13: Buying a Home*.

Buying Options	What is it?	Watch out for!	Key criteria
<p>A single family house, modular home, or townhouse (sometimes called a row house)</p> <p><input type="checkbox"/> Check if this could work for you</p>	<ul style="list-style-type: none"> ▪ A single family house is a standalone home on a piece of property you own. ▪ A modular home is a type of single family home. Modular homes are built in factories and assembled onsite. They must follow local building codes. ▪ A townhouse (or row house) is built side-by-side with other homes. You may share one or two walls with other townhouses. Most common in urban neighborhoods. 	<ul style="list-style-type: none"> ▪ Additional costs may include: <ul style="list-style-type: none"> • Utilities • Maintenance and repairs • Equipment for yard work • Property taxes • Private mortgage insurance • Additional insurance ▪ May have a Homeowner's Association (HOA) or Property Owner's Association (POA). If you buy a home with an HOA or POA, understand the costs and rules as well as the benefits. 	<ul style="list-style-type: none"> ▪ Your credit scores and reports. ▪ Verification of your income. ▪ The amount of debt you have compared to your income, which is your debt-to-income ratio. ▪ Down payment amount. ▪ Depending on the type of mortgage you get, you may have to pay for private mortgage insurance.
<p>A condominium</p> <p><input type="checkbox"/> Check if this could work for you</p>	<ul style="list-style-type: none"> ▪ A part of a larger property. ▪ You own a unit. The condominium association owns the building and grounds. ▪ You are a member of the condominium association. 	<ul style="list-style-type: none"> ▪ Understand the rules and regulations of the condominium association. 	<ul style="list-style-type: none"> ▪ Same as listed in Single Family above.

Apply It: My Housing Options *continued*

Buying Options	What is it?	Watch out for!	Key criteria
<p>A unit in a cooperative (co-op)</p> <p><input type="checkbox"/> Check if this could work for you</p>	<ul style="list-style-type: none"> ▪ A part of a larger property. ▪ You lease a unit, and are a shareholder in the corporation that owns the entire property. ▪ Co-ops are not available in all communities. 	<ul style="list-style-type: none"> ▪ You are not buying real property. You are buying shares in the cooperative corporation that owns the building. ▪ Know your rights and responsibilities in a cooperative. 	<ul style="list-style-type: none"> ▪ A tenant-elected board of directors must approve you. ▪ Financing may be different.
<p>A manufactured or mobile home</p> <p><input type="checkbox"/> Check if this could work for you</p>	<ul style="list-style-type: none"> ▪ A home generally built in a factory and taken to a property to be set up. ▪ May be on a metal frame, foundation, or tied-down. ▪ Manufactured homes made before 1976 are called mobile homes. 	<ul style="list-style-type: none"> ▪ Look for a red certification label on the exterior of each section to make sure your manufactured home is built according to Manufactured Home Construction and Safety Standards (HUD Code). ▪ Depending on your state and the home's foundation, a manufactured home may not be titled as real estate. This and other factors determine how the value changes over time (whether it increases or decreases). 	<ul style="list-style-type: none"> ▪ If the manufactured home is not on land you own or will be purchasing along with the home, you cannot qualify for mortgage financing. ▪ You will apply for a chattel loan, not a mortgage.
<p>Additional options that I know about:</p> <p><input type="checkbox"/> Check if this could work for you</p>			



Remember the Key Takeaway

There are different types of housing. To help prioritize your options, start by defining what safe and secure housing means to you.

Section 2: What Can I Afford?

We will discuss ways to estimate what you may be able to afford for housing.



Key Takeaway



An affordable payment for housing is one you can reliably make each month.

Housing Costs: What is Affordable?

A big question to answer when you are making housing decisions is: How much can I afford to pay? There are guidelines for this, but it is your decision.

Remember that landlords and mortgage lenders cannot tell you what is affordable for you.

*How much can
I afford to pay?*



This is MY decision



Try It: Estimating Affordability

Read the scenario and then answer the question.

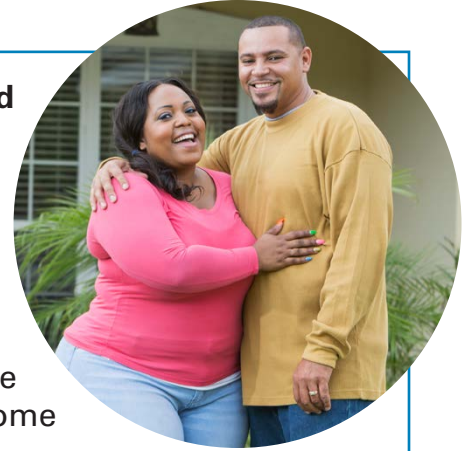
Scenario: Pat and Sam Estimate What They Can Afford

Pat and Sam have dreamed of buying a home. They have been saving for a home for four years and have set aside \$10,000. They also have a little money set aside for emergencies. Together they make \$48,000 a year in annual gross income. Their net income (after taxes and deductions) is \$42,000.

They heard that a quick way to estimate what could be affordable is to take their combined annual gross income and multiply it by three.

They also heard about another quick way to estimate affordable monthly housing costs. These costs should be no more than 30% of their monthly gross income.

They know these are starting points for thinking about affordability and not necessarily what lenders will use to figure out how much they can borrow.



There are two ways to quickly estimate how much housing you may be able to afford.

Method 1

$$\begin{array}{l} \text{Annual} \\ \text{Gross} \\ \text{Income} \end{array} \times 3 = \text{Estimate of highest} \\ \text{home purchase price}$$

- Multiply your annual gross income by three.
- Your annual gross income is what you make each year before any taxes or other deductions are taken out of your pay.
- The answer is an estimate of the highest home purchase price you can afford.

What is the highest home purchase price that Pat and Sam may be able to afford according to Method 1?

Try It: Estimating Affordability *continued*

Method 2

$$\text{Monthly Gross Income} \times 0.30 = \text{Estimate of Monthly Housing Costs}$$

- Multiply your monthly gross income by 0.30.
- Your monthly gross income is your annual gross income divided by 12.
- The answer is an estimate of the most you should pay each month for total housing costs (such as rent or mortgage payment, utilities, insurance, maintenance, and repairs).

What is the most that Pat and Sam should pay each month for total housing costs according to Method 2?

Depending on the housing market, estimates from these two methods may be unrealistic. There is a third method that isn't as quick, but it may be more realistic.

Method 3

$$\text{Total Net Income} - \text{Total Non-Housing Expenses} = \text{What's Left for Housing Costs}$$

- Add up your net income
- Subtract your non-housing expenses
- The answer is an estimate of what is left over to cover all housing costs

Try It: Estimating Affordability *continued*

What Can Pat and Sam Afford Based on Their Spending and Saving Plan?

Use their spending and saving plan below (often called a “budget”) to estimate what Pat and Sam can afford. It has three sections:

- Net Income
- Non-Housing Expenses
- Comparison: What’s Left for Housing Costs?

Most of the spending and saving plan has been completed for you. **You need to complete the last section, *Comparison: What’s Left for Housing Costs?***

Even though Pat and Sam do not pay all of these expenses monthly, the figures are shown as monthly amounts. Doing so helps Pat and Sam include all of their expenses.

Pat and Sam’s Spending and Saving Plan

Net Income

Item	Monthly Amount
Net (Take-Home) Pay Job 1	\$3,500 ($\$42,000 \div 12$)
Net (Take-Home) Pay Job 2	
Net (Take-Home) Pay Job 3	
Net Self-Employment Income	
Public Benefit 1:	
Public Benefit 2:	
Public Benefit 3:	
Public Benefit 4:	
Interest	
Dividends	
Child Support	
Alimony	
Gifts	
Other:	
Other:	
Other:	
Their Total Net Income (add up rows above)	\$3,500

Try It: Estimating Affordability *continued*

Non-Housing Expenses

Item	Monthly Amount
Their Saving	
Saving Toward: An Emergency Fund	\$50
Saving Toward:	
Saving Toward:	
Their Sharing	
Sharing with Family and Friends	
Charitable Contributions	\$100
Other:	
Other:	
Their Spending	
Telephone (Cell and Land-Line)	\$200
Internet	\$60
Cable / Satellite	
Car/Truck Payment	\$300
Car/Truck Insurance	\$70
Car/Truck Maintenance and Repair	
Car/Truck Fuel	\$170
Public Transportation	
Health Insurance (portion not covered by employer or taken out of gross pay)	\$120
Other Healthcare Expenses	\$100
Student Loan Payments	\$250
Credit Card Debt Payments	\$300
Other Debt Payments	
Personal Care Attendant	
Eldercare	\$240
Childcare / Child Support Payments	
Groceries and Household Supplies	\$300

Try It: Estimating Affordability *continued*

Non-Housing Expenses

Item	Monthly Amount
Eating Out or Take-Out	\$50
Service Animal Expenses	
Pet Care	\$50
Personal Expenses	
Entertainment	
Other:	
Other:	
Other:	
Their Total Non-Housing Expenses (add up rows above)	\$2,360

Comparison: What's Left for Housing Costs?

Item	Monthly Amount
Their Total Net Income (From Last Row of the Net Income Section in the Monthly Amount Column)	FILL IN:
Their Total Non-Housing Expenses (From Last Row of the Non-Housing Expenses Section in the Monthly Amount Column)	FILL IN:
What's Left for Housing Costs? (Their Total Net Income minus Their Total Non-Housing Expenses)	FILL IN:



Apply It: Estimating What I Can Afford

You can use this Spending and Saving Plan (often called a “budget”) to estimate what you can afford. Use information from your pay stub and other financial statements, as well as records of bills and expenses.

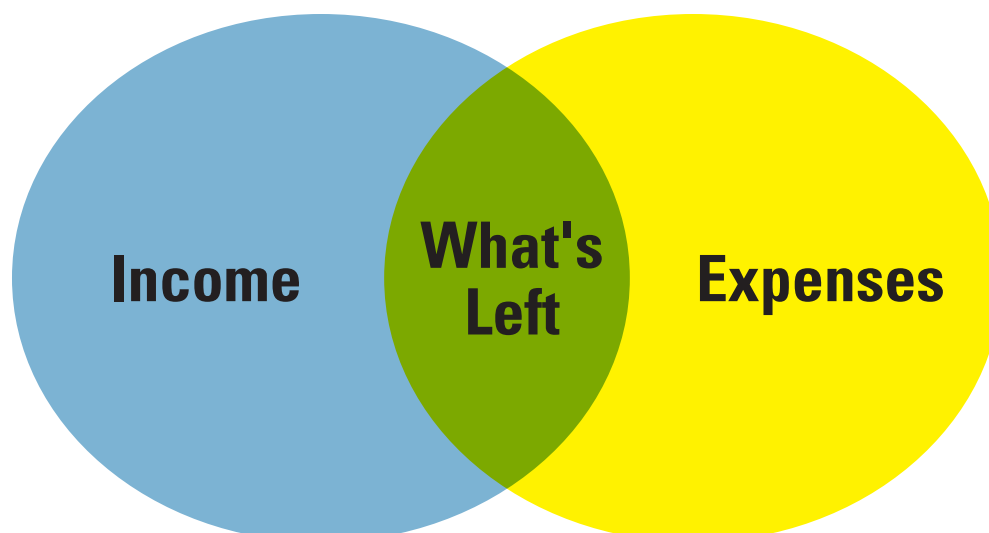
The Spending and Saving Plan has three sections:

- My Net Income
- My Non-Housing Expenses
- Comparison: What’s Left for Housing Costs?

You may receive income and pay expenses by week, quarter, month, or year. For this method, convert your income and expenses to monthly amounts before putting them in the Spending and Saving Plan.

This table can help you convert your income and expenses to monthly amounts.

Frequency: How often you receive the income or pay the expense	Do this first Then enter into your Spending and Saving Plan
Annual (once per year)	Divide by 12
Semi-annual (twice per year)	Divide by 6
Quarterly (four times per year)	Divide by 3
Monthly (once per month)	Use as-is
Bimonthly (twice per month)	Multiply by 2
Biweekly (every two weeks)	Multiply by 26 and then divide by 12
Weekly (every week)	Multiply by 52 and then divide by 12



Apply It: Estimating What I Can Afford *continued*

My Spending and Saving Plan

My Net Income

Item	Monthly Amount
Net (Take-Home) Pay Job 1	
Net (Take-Home) Pay Job 2	
Net (Take-Home) Pay Job 3	
Net Self-Employment Income	
Public Benefit 1:	
Public Benefit 2:	
Public Benefit 3:	
Public Benefit 4:	
Interest	
Dividends	
Child Support	
Alimony	
Gifts	
Other:	
Other:	
Other:	
My Total Net Income (add up rows above)	

Apply It: Estimating What I Can Afford *continued*

My Non-Housing Expenses

Item	Monthly Amount
My Saving	
Saving Toward: An Emergency Fund	
Saving Toward:	
Saving Toward:	
My Sharing	
Sharing with Family and Friends	
Charitable Contributions	
Other:	
Other:	
My Spending	
Telephone (Cell and Land-Line)	
Internet	
Cable / Satellite	
Car/Truck Payment	
Car/Truck Insurance	
Car/Truck Maintenance and Repair	
Car/Truck Fuel	
Public Transportation	
Health Insurance (portion not covered by employer or taken out of gross pay)	
Other Healthcare Expenses	

Apply It: Estimating What I Can Afford *continued*

My Non-Housing Expenses

Item	Monthly Amount
Student Loan Payments	
Credit Card Debt Payments	
Other Debt Payments	
Personal Care Attendant	
Eldercare	
Childcare / Child Support Payments	
Groceries and Household Supplies	
Eating Out or Take-Out	
Service Animal Expenses	
Pet Care	
Personal Expenses	
Entertainment	
Other:	
Other:	
Other:	
Other:	
My Total Non-Housing Expenses (add up rows above)	

Apply It: Estimating What I Can Afford *continued*

Comparison: What's Left for Housing Costs?

Item	Monthly Amount
My Total Net Income (From Last Row of the My Net Income section in the Monthly Amount Column)	
My Total Non-Housing Expenses (From Last Row of the My Non-Housing Expenses section in the Monthly Amount Column)	
What's Left for Housing Costs? (My Total Net Income minus My Total Non-Housing Expenses)	

How much money can I afford for housing costs each month?

Can I reduce any expenses or increase any income so I have more money available that can go to housing costs?



Remember the Key Takeaway

An affordable payment for housing is one you can reliably make each month.

Section 3: What's Next if I Decide to Rent?

We will discuss steps to renting, reading and understanding your rental agreement or lease, getting renter's insurance, and knowing your rights and responsibilities as a renter.



Key Takeaway



Ways to protect yourself as a renter include reading and understanding your rental agreement or lease, getting renter's insurance, and knowing your rights and responsibilities.

Steps to Renting

If you want to rent, here are suggested steps you can take. You can take notes from the discussion about each step.

- **Step 1:** Figure out where you want to live

- **Step 2:** Figure out what kind of place you want to rent

Use *Apply It: My Housing Options* in Section 1 of this module

- **Step 3:** Figure out what you can afford

Use *Apply It: Estimating What I Can Afford* in Section 2 of this module

- **Step 4:** Understand your credit and how this may affect what you can rent

- **Step 5:** Research options

- **Step 6:** Get your first month's rent and deposits together

- **Step 7:** Read and understand your lease or rental agreement



Try It: Reading a Rental Agreement

Use the example rental agreement on page 33 to answer these questions.

1. Who are the parties to the lease?

2. Where is the property?

3. What parts of the property does Paulo have access to?

4. How much is his rent? When is it due?

5. When is his rent late? If he pays rent late, how much will this cost him?

6. How long is the lease?

7. What is the process for getting repairs done?

8. Are there any rules concerning guests?

Try It: Reading a Rental Agreement *continued***Example Rental Agreement**

Important note: This is an example rental agreement only for purposes of this training. Rental agreements vary based on the requirements of state or local law. Your rental agreement will look different from this one.

1. Parties

The parties to this Agreement are Shawnice L. Johnson, hereinafter called the "Landlord," and Paulo Ramirez, hereinafter called the "Tenant."

2. Property

The Landlord hereby lets the following property to the Tenant for the term of this Agreement: (a) the real property known as: 3536 First Street, New City, AZ, 12345 and (b) the following furniture, features, and appliances on said property: driveway, garage, front porch, back yard, first floor of the home, all of the appliances found within it including the dishwasher, refrigerator, stovetop, oven, microwave oven, garbage disposal, washer, and dryer.

The Tenant does not have access to the second or third floor apartments.

3. Term

This agreement shall run: 1 year for the period of August 1 to July 31.

4. Rent

The monthly rental for said property shall be \$1,000, due and payable by check or money order on the 1st day of each month. Payment is considered late on the 2nd day of each month. The Tenant will be charged \$10 if the rent is late 1 – 4 days, \$20 if late 5 – 10 days. If the rent payment is late over 10 days, the Tenant will be charged \$100.

5. Utilities

Landlord agrees to furnish the following services and/or utilities:

- Electricity Gas Garbage Collection Snow Removal Water
- Satellite Television (Subscription fee only. Pay Per View charged to the Tenant.)

6. Deposits

The Tenant will pay a security deposit of \$1,000.

This amount will be refunded (plus interest) within 30 days following the termination of the tenancy; unpaid rent, charges for damages beyond normal wear and tear, and costs for reasonable cleaning may be deducted.

7. Repairs

All repairs are subject to the approval of the Landlord. Should something need repair, the Tenant should call the Landlord and report the issue either over the phone or by leaving a message. In case of an emergency such as a broken water line or sewage back up, if the Landlord cannot be reached, the Tenant may call repair services from a list provided by the Landlord.

Try It: Reading a Rental Agreement *continued*

Example Rental Agreement (continued)

8. Pets

One cat or dog is allowed on the premises. The Tenant shall pay for damages caused by pets.

Additional provisions:

- A. The Tenant shall not lease, sublease, or assign the premises without the prior written consent of the Landlord (but this consent shall not be withheld unreasonably).
- B. The Landlord may enter the premises at reasonable times for the purposes of inspection, maintenance, or repair, and to show the premises to buyers or prospective tenants. In *all* instances, except those of emergency or abandonment, the Landlord shall give the Tenant reasonable notice (at least one day) before such entry.
- C. The Tenant agrees to occupy the premises and shall keep the same in good condition, except for reasonable wear and tear, and shall not make any alterations thereon without the written consent of the Landlord.
- D. The Tenant agrees not to use the premises in such a manner as to disturb the peace and quiet of other tenants in the building. The Tenant further agrees not to maintain a public nuisance and not to conduct business or commercial activities on the premises.
- E. The Tenant shall, upon termination of this Agreement, vacate and return the dwelling in the same condition that it was received, less reasonable wear and tear, and other damages beyond the Tenant's control.
- F. In a dispute between the Landlord and the Tenant which gives rise to any action in court, the losing party will pay the court costs and reasonable attorney's fees of the successful party.
- G. Additional Terms:

We, the undersigned, agree to this Rental Agreement:

Landlord:

Tenant:

Name

Name

Signature

Signature

Date

Date

—End of Example Rental Agreement—



Apply It: My Lease or Rental Agreement Checklist

You can use this checklist to review your lease or rental agreement before you sign it. Make sure you can find and understand each of these items. They may not be listed with the same titles. If you do not understand your lease or rental agreement, ask questions and make sure you get help before you sign it.

Rental Agreement or Lease

Check off box when you have reviewed and understand.

- Names of the parties to the agreement**
 This will be the property owner or landlord, you, and anyone else responsible for the rent such as roommates.

 If roommates are not listed, they will not be held responsible for the rental under your lease. They may have their own lease agreements with the landlord.

- Location and description of the rental**
 This is the address of the rental. The description should also name features included such as: parking, access to a garage, use of a fitness facility, use of storage units, and so on.

- Rent amount and due date**
 Look for penalties for late or missed payments. Look for when a payment is considered late. For example, rent payments may be due on the 1st of the month and considered late if they are not paid by the 5th of the month.

- Included/not included in the rent**
 Look for what is included as well as what is not included in the rent. For example, the rent may include electricity and water but not gas or internet. Or perhaps garbage pickup fees are required but extra.

- Term of the lease**
 This is the length of the lease or rental agreement. It could be six months or one year or something different. If no term is specified, it's a month-to-month agreement.

 Penalties for moving out before the end of the term should also be explained.

- Options to renew**
 This should spell out your options when the lease term ends.

 You may need to give the landlord notice that you will not be renewing your lease by a certain time before the end of the lease.

 If you do not provide notice within that time, your lease may automatically renew. Or your lease may automatically change to a month-to-month agreement at the end of your current lease term.

Apply It: My Lease or Rental Agreement Checklist *continued***Rental Agreement or Lease****Check off box when you have reviewed and understand.**

- Increases to rent**

If you have a month-to-month agreement, the landlord can raise the rent with written notice.

If you have a lease term, the landlord can't raise the rent until the lease term expires unless the rent increase is already built into the lease.

State or local laws may govern the rent increases, particularly how far in advance the landlord has to tell you about the increase before it takes effect.

- Maintenance responsibilities**

This should explain what the landlord will and will not fix.

State and local laws outline what landlords must do to keep the space you are renting safe and livable.

If you feel the information in your lease regarding maintenance and repairs is unclear or unfair, visit your city's/county's housing department or public housing authority, a Department of Housing and Urban Development (HUD) approved housing counselor, legal aid attorney, or pro bono attorney. They may be able to review your lease with you and explain what your rights are under state law.

- Limits to modifications**

This will describe whether you can paint the apartment or add built-in shelves, for example. The agreement should state who pays for these modifications or how to get permission to make any modifications. It may also include what you cannot do, such as pound nails into the walls.

- Reasonable modifications**

This will note that federal law permits a resident with a disability to make reasonable modifications at his or her expense to the interior of an apartment and to common/public areas of the building. A reasonable modification is a structural modification that is made to allow persons with disabilities the full enjoyment of the housing and related facilities. Examples include widening a doorway, lowering kitchen cabinets, or replacing flooring to facilitate wheelchair use.

- Reasonable accommodations**

This will also note that federal law requires housing providers to make reasonable accommodations for persons with disabilities. A reasonable accommodation is a change in rules, policies, practices, or services so that a person with a disability will have an equal opportunity to use and enjoy a dwelling unit or common space. An example is providing a reserved parking space near a building's entrance for a tenant with a mobility impairment, even though all parking is unreserved.

Apply It: My Lease or Rental Agreement Checklist *continued***Rental Agreement or Lease****Check off box when you have reviewed and understand.**

- When the landlord can enter the property**
Since the landlord owns the property, they have the right to enter it. But, you also have the right to privacy. Make sure this is clearly spelled out in your rental agreement.

- Notice of termination**
What is the process if either you or the landlord needs to terminate the agreement? This should be spelled out in the rental agreement or lease.

There are also special rules for terminating the agreement if you enter active duty service in the military. This may or may not be included in the lease, but this right exists due to the Servicemembers Civil Relief Act. For more information, visit www.servicemembers.gov and search for "SCRA."

- Rule concerning guests**
Some rental agreements will include rules regarding guests. This is to make sure that guests are really guests and not roommates.

- Rule regarding pets**
This section will describe what kinds of and how many pets you can have. It will also describe any additional fees you may have to pay if pets are allowed and you have one.

Rules regarding service animals may be different depending on where you live. If there is a rule against pets and you have a service animal, ask for a reasonable accommodation. If the landlord still does not permit the animal, consider contacting a state or local agency responsible for handling fair housing complaints, or you can file a complaint with HUD at www.hud.gov.

You may also want to get assistance from legal aid or an attorney. Find a legal aid office by visiting www.lsc.gov or a pro bono attorney by visiting www.lawhelp.org.

- Subleasing clause**
This section will describe if you can rent to someone else. A person may want to sublet her apartment if she is going to be away for a period of time or she has an extra room. Some leases prohibit subleasing. Some will require a new agreement with the person you want to sublet the rental to. Be sure you read your lease to see if this practice is allowed.

If you don't understand your lease, get help. Check with a trusted friend, a tenant resource center in your community, an attorney, or legal aid.

Renter's Insurance

Renter's insurance helps you financially recover from losses to your personal possessions. It does not cover the physical building.

Some items may not be covered or may have limited coverage like computer equipment. You may want to buy additional insurance for these items.

Keep records of your personal property and the estimated value of the things you own. This documentation will help you file an insurance claim if items are lost or damaged. Consider taking a video or photos of your home and valuables. See guidance and tools on creating an inventory of your property from the National Association of Insurance Commissioners. Visit www.insureonline.org and search for "inventory."

Renter's insurance can also protect you if someone who doesn't live in your rented home claims to have been injured while they were visiting you.

The landlord may require you to purchase renter's insurance.

Costs vary. Shop around.

Your Rights as a Renter

As a renter or tenant, you have rights under federal, state, and local laws. A right is a moral or legal entitlement.

The Fair Housing Act is the federal law that protects you from discrimination based on race, color, national origin, religion, sex, disability, or presence of children, which is sometimes called familial status. For example, you cannot be denied an apartment because you have a disability.

Reasonable Modifications

A resident with a disability is permitted by federal law to make and pay for reasonable modifications to the interior of an apartment and to common/public areas of the building.

- A reasonable modification is a structural modification made to allow people with disabilities the full enjoyment of the housing and related facilities.
- Examples include widening a doorway, lowering kitchen cabinets, or replacing flooring to facilitate wheelchair use.

Reasonable Accommodations

Housing providers are required by federal law to make reasonable accommodations for people with disabilities.

- A reasonable accommodation is a change in rules, policies, practices, or services so that a person with a disability will have an equal opportunity to use and enjoy a dwelling unit or common space.
- An example is providing a reserved parking space near a building's entrance for a tenant with a mobility impairment, even though all parking is unreserved.

Responsibilities

All rights come with responsibilities. These are things that you must do.

Get Help

In addition, most states and cities have laws and ordinances that provide you with additional rights related to housing. For example, the roof shouldn't leak.

You also have responsibilities. For example, you may be responsible for paying the electric bill and if you do not pay it, the electricity could be shut off.

To learn more or to get help if you think your rights have been violated, visit the U.S. Department of Housing and Urban Development's website at www.hud.gov. Navigate to the section for Renters (under Audiences) for links to general and state-specific information.

You can also consult your city's or county's housing department, a HUD-approved housing counseling agency, legal aid, or an attorney for more information.



Remember the Key Takeaway

Ways to protect yourself as a renter include reading and understanding your rental agreement or lease, getting renter's insurance, and knowing your rights and responsibilities.

Module Closing

★ Remember the Key Takeaways

Section	Key Takeaway
1: What Are My Options?	There are different types of housing. To help prioritize your options, start by defining what safe and secure housing means to you.
2: What Can I Afford?	An affordable payment for housing is one you can reliably make each month.
3: What's Next If I Decide To Rent?	Ways to protect yourself as a renter include reading and understanding your rental agreement or lease, getting renter's insurance, and knowing your rights and responsibilities.

Take Action

You are more likely to take action if you commit to **taking action now**. One way to commit is to think about what you plan to do because of what you learned today. Then write it down.

What will I do?

How will I do it?

Will I share my plans with anyone? If so, who?**Where to Get More Information or Help**

The U.S. Department of Housing and Urban Development (HUD) has many resources to help you choose housing, including information on rental assistance, supportive housing for people with disabilities, and housing programs for Native communities. Visit **www.hud.gov**.

Use the HUD apartment locator to find options in your community. Visit **www.hud.gov/apps/section8/index.cfm**. You can also check your local community for options that may not be listed at that webpage.

If you think you may qualify for affordable housing, meet with your local public housing authority. To find your public housing authority, visit **www.hud.gov** and search on the keyword "local public housing authority."

The American Institute of Certified Public Accountants has a tool that can help people decide whether they want to rent or whether they want to buy. Visit **www.360financialliteracy.org/Calculators/Rent-vs.-Buy**.

To learn more or to get help if you think your rights have been violated, start at the HUD page for your state at **www.hud.gov/states**.

If you have a question about a banking product, ask a customer service representative at the financial institution for help.

If you have a concern, explain to the customer service representative what happened and what you would like them to do to correct the situation. If that does not help, consider contacting the federal regulator for that financial institution.

To find out who regulates the financial institution, call the FDIC toll-free at 1-877-ASK-FDIC (1-877-275-3342) or visit **www.fdic.gov/consumers/assistance/filecomplaint.html**.

PAGE INTENTIONALLY
LEFT BLANK

Pre-Training Survey

Your instructor may ask you to complete this pre-training survey before the training begins.

Please answer these questions:

- | | | | |
|----|---|------|-------|
| 1. | Real estate professionals helping you find a home decide what safe and secure housing means for you. | True | False |
| 2. | An affordable payment for housing is a payment you can make most months. | True | False |
| 3. | As a renter, you have no rights. | True | False |
| 4. | Renter's insurance helps you financially recover from losses to your personal possessions due to theft, burglary, fire, and other events. | True | False |
| 5. | How can you protect yourself when renting? Choose all that apply. | | |
| | a. Get renter's insurance | | |
| | b. Read and understand your lease | | |
| | c. Know your rights as a renter | | |
| | d. Never rent – only buy a home | | |
| 6. | How can you estimate what you can afford to pay for housing? Choose all that apply. | | |
| | a. Develop a spending and saving plan | | |
| | b. Pay whatever is asked | | |
| | c. Ask your landlord or lender | | |
| | d. Understanding what is an affordable payment for housing is not an important step when making housing decisions | | |

PAGE INTENTIONALLY
LEFT BLANK

Post-Training Survey

Your instructor may ask you to complete this post-training survey after the training ends.

Please answer these questions:

- | | | | |
|----|---|------|-------|
| 1. | Real estate professionals helping you find a home decide what safe and secure housing means for you. | True | False |
| 2. | An affordable payment for housing is a payment you can make most months. | True | False |
| 3. | As a renter, you have no rights. | True | False |
| 4. | Renter's insurance helps you financially recover from losses to your personal possessions due to theft, burglary, fire, and other events. | True | False |
| 5. | How can you protect yourself when renting? Choose all that apply. | | |
| | a. Get renter's insurance | | |
| | b. Read and understand your lease | | |
| | c. Know your rights as a renter | | |
| | d. Never rent – only buy a home | | |
| 6. | How can you estimate what you can afford to pay for housing? Choose all that apply. | | |
| | a. Develop a spending and saving plan | | |
| | b. Pay whatever is asked | | |
| | c. Ask your landlord or lender | | |
| | d. Understanding what is an affordable payment for housing is not an important step when making housing decisions | | |

Continued on next page

About the Training

Check the box that best describes your agreement or disagreement with each of these statements.

	Completely agree	Somewhat agree	Somewhat disagree	Completely disagree
7. I would recommend this training to others.				
8. I plan to apply what was discussed in this training to my life.				
9. The instructor used engaging training activities that kept me interested.				
10. The instructor was knowledgeable and well prepared.				
11. The Participant Guide is clear and helpful.				

PAGE INTENTIONALLY
LEFT BLANK

Visit the FDIC's website at www.fdic.gov/education for more information and resources on banking-related issues. For example, FDIC Consumer News provides practical hints and guidance on how to become a smarter, safer user of financial services. Also, the FDIC's Consumer Response Center is responsible for:

- Investigating all types of consumer complaints about FDIC-supervised institutions
- Responding to consumer inquiries about consumer laws and regulations and banking practices

**You can also call the FDIC for information and assistance at
877-ASK-FDIC (877-275-3342).**



MONEY SMART for Adults
PARTICIPANT GUIDE
Module 12: Making Housing Decisions

September 2018
www.fdic.gov/education