

### 6-3 Practice: Purchase a Home

Name: \_\_\_\_\_

Date: \_\_\_\_\_

1. Rachel wants to buy a house. She earns \$85,000 each year at her job.

a) What is her *monthly* gross income?

b) Her expenses are given below. Determine her *monthly* total housing expenses.

*annual* property tax: \$8,600  
*annual* insurance: \$714  
*monthly* mortgage payments: \$1,020

c) Use the front-end ratio to determine if her bank will loan her the money for her mortgage. Remember that the bank wants the front-end ratio to be less than 28%.

$$\text{front-end ratio} = \frac{\text{monthly housing expenses}}{\text{monthly gross income}}$$

Consumer Math  
Unit 6 - Adulting

2. Ted wants to buy a house. He earns \$76,000 each year at his job.

a) What is his *monthly* gross income?

b) His expenses are given below. Determine his *monthly* total housing expenses.

*annual* property tax: \$6,800  
*annual* insurance: \$705  
*monthly* mortgage payments: \$980

c) Use the front-end ratio to determine if his bank will loan him the money for his mortgage. Remember that the bank wants the front-end ratio to be less than 28%.

$$\text{front-end ratio} = \frac{\text{monthly housing expenses}}{\text{monthly gross income}}$$

Consumer Math  
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3. The Smith's want to buy a house. They have a gross income of \$117,445.

a) What is their *monthly* gross income?

b) Their monthly expenses are given below. Determine their *monthly* total expenses.

*annual* property tax: \$6,780  
*annual* insurance: \$1,420  
*monthly* mortgage payments: \$1,877  
*monthly* car payment: \$430  
*monthly* credit card bill: \$5,100

c) Use the back-end ratio to determine if their bank will loan them the money for their mortgage. Remember that the bank wants the back-end ratio to be less than 36%.

$$\text{back-end ratio} = \frac{\text{total monthly expenses}}{\text{monthly gross income}}$$



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5. Becky is buying a \$250,000 home and made a 15% down payment.

a) How much money did she borrow for her loan?

b) She has been approved for a 5.75% APR mortgage. What will be her annual interest?

c) What will be her daily interest?

d) If she made her down payment on July 15<sup>th</sup>, how much will be charged in prepaid interest at the closing?

e) If closing costs are usually between 2% and 7% What might Becky expect to pay in total at the closing?