

# Chapter 12

## Buying a House



# §12-1 Selecting a fairly priced home

- Goals:
- Consider the advantages and disadvantages of home ownership
- Analyze the relationship between selling price and size, age, amenities, etc.



# Equity

- Difference between what a house is worth and what is owed on the mortgage.



# Capital Gain/Loss

- Increase/Decrease in the value of a home when selling.



# Advantages of Buying

- Security / Independence
- Forced savings
- Good investment
- Tax deductions



# Disadvantages of Buying

- Must make payments
- Maintenance
- Moving is more difficult
- Larger monthly payments



# Trends

- Housing values compared to other values



# Example

- As square footage goes up, the price of a house generally...
- As the age of a house goes up, the price of a house generally...
- As the number of bathrooms go up, the price of a house generally...



- Mortgage loan amount =  
Selling price – Down payment



## Example

- If Bob buys a house for \$215,095 and puts 20% down, what is the amount of the down payment and what is amount of the loan?



- Down payment =

$$\$215,095 \times .20 = \$43,019$$

- Loan amount =

$$215,095 - 43,019 = \$172,076$$

# Try Your Skills

- P540
- 1-5



# Linear regression...again

- Determine a correlation between the price and square footage of a home.

| Price (in thousands of \$) | Area (in square feet) |
|----------------------------|-----------------------|
| 348                        | 4350                  |
| 91                         | 2800                  |
| 260                        | 3600                  |
| 150                        | 3100                  |
| 164                        | 3100                  |
| 185.9                      | 3400                  |
| 102.4                      | 2850                  |
| 357                        | 4375                  |
| 136.3                      | 3000                  |

Suppose you find a home....

- Listed at \$212,900, what would you expect the square footage to be, if the home is in the same area as the rest of your data?
- Another home has an area of 3333 square feet, what would you expect to pay for the home?

# Homework

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