

Please complete section 3.6 in the textbook before attempting this project. Please do all final work on this report and you must include all the calculations you use to find your answers. You can find the closing date for project 4 at the daily schedule.

For this assignment, please assume you won't be renting and instead you'll be purchasing a property. Even if you do plan on renting, think of this as practicing another point of view if you ever decide to earn equity with your monthly housing payments.

Section 1 Your gross pay and net pay

- a) Imagine you've graduated with your credentials or degree. Please describe your occupation and use the internet to find your projected annual income for the first year after you graduate. Include the source you used to find your annual income. **This is your annual gross pay.**

- b) How much do you pay in federal taxes? Please use the table to the right and show your work.

Single	Federal Tax Rate
\$0 to \$11,000	10%
\$11,001 to \$44,725	12%
\$44,726 to \$95,375	22%
\$95,376 to \$182,100	24%
\$182,101 to \$231,250	32%

- c) How much do you pay in state taxes? Please use the table to the right and show your work.

Single	State Tax Rate
\$0 to \$31,690	5.35%
\$31,691 to \$104,090	6.80%
\$104,091 to \$193,240	7.85%
Over \$193,240	9.85%

- d) Now find your annual net pay after taxes by subtracting your federal taxes (part b above) and state taxes (part c above) from your annual gross pay (part a above).

- e) Divide the answer you got on part d by 12 to find your monthly net pay after taxes are deducted.

Section 2 Finding a property

- a) Continuing to assume you've graduated, where would you like to live? (state, city, area of a city)

- b) What kind of property would you like to live in, i.e. single-family home, duplex, townhome, condominium? How many bedrooms and bathrooms would accommodate you and your family?

- c) Do some on-line research and find a property in the region where you'd like to live. Please think of this as your first residence which is generally smaller and more affordable than a "dream" residence. **State the purchase price** and please cite your internet source.

Section 3 Finding your Debt to Income Ratio

- a) Now go to our online mortgage calculator (you can find a link on your D2L announcements page). Assume you'll make a 5% down payment and you're able to get a 30-year fixed rate mortgage at 6.5%. Make sure to expand the view and set the homeowners insurance, HOA/Condo fees and the property taxes to 0. Please write the monthly loan payment here.

- b) Use this table to find your monthly debt. For your mortgage, use the payment you found above. If you don't know a value, for example your student loan payment, find an "average" monthly payment using online sources. Only include alimony or child support if you think this is something you might have. Please notice your credit card payment is the minimum needed per month.

Monthly Expenses	Amount (\$)
Mortgage	
Monthly alimony or child support payments	
Car loan	
Student loan	
Credit card payments (use the minimum payment)	
Debt (Sum the rows.)	

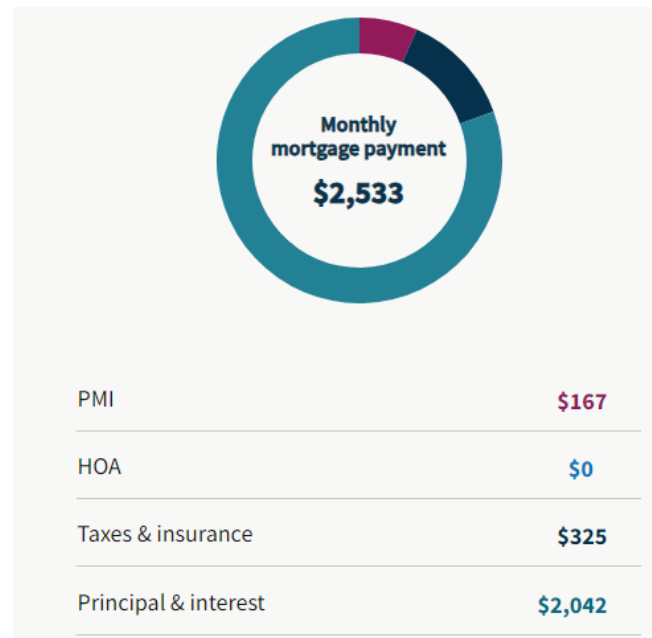
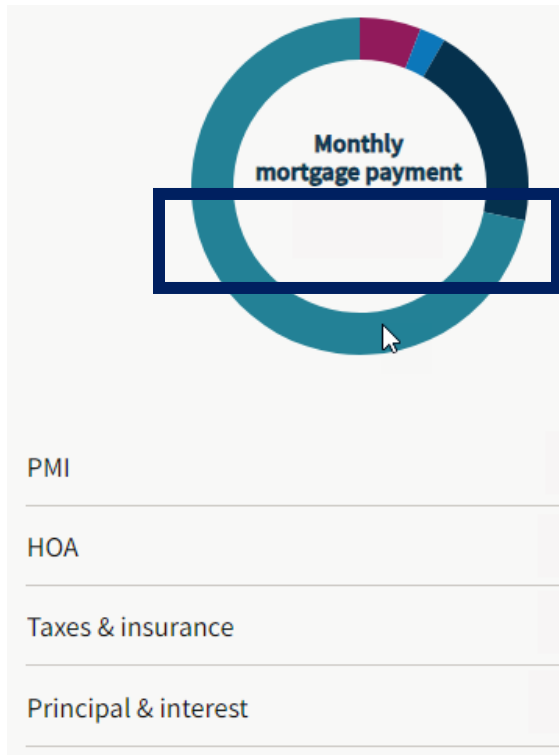
- c) Find your **DTI**. You found your monthly debt above. To find your monthly income go to page 1, **part a** and enter your annual gross pay _____. Divide your annual gross pay by 12 and enter your monthly gross pay here _____. This is your monthly income. Now divide your monthly debt by your monthly income. If the value of your DTI ratio exceeds 43% (0.43) return to section 2 and find a less expensive property. Continue until you have a property that you'll be able to get a mortgage for. Show any ratios below as you go through the process.

Section 4 Determining your monthly payment:

Unless you've paid off your mortgage loan, you'll need to make a payment to whoever holds the loan for your property. To find your monthly payment you add together your loan payment, the cost for private mortgage insurance (PMI), the monthly property taxes you pay to the county, the cost for homeowners insurance in case your property is damaged by say fire or a tornado and any HOA or Condo fees. Let's estimate your monthly payment.

- a) Go to the mortgage calculator and enter the Home Purchase Price you found earlier (section 2 part c). Next, set the Down Payment to 5%, the Term to 30 years, the Interest Rate to 6.5%, the Homeowners Insurance to \$1,800 a year, and Property Taxes to \$2,100 a year. The HOA or Condo Fees will vary. If you're buying a single-family home or a duplex, there probably won't be any. If you're buying a condo or townhome, there probably will be. If there is a fee, they must list it with the listing information. To keep things simple, you'll only have a fee if you're buying a condo or townhome. In that case, set the HOA or Condo fee to \$5,100 a year.
- b) Now, copy down your Monthly mortgage payment, your PMI, your HOA/Condo fees, your Taxes and Insurance and your Principal and Interest below.

For example, my Home Purchase Price was \$340,000, my Down Payment was 5%, my Term was 30 years, my Interest Rate was 6.5%, my Homeowners Insurance was \$1,800 a year, I had no HOA or Condo fees, my Property Taxes were \$2,100 a year. Here's how my Monthly Mortgage Payment would look.



(Please finish section 5 which is on the last page.)

Section 5 Reflection

Write a summary paragraph (between 5 and 10 sentences) reflecting on this project. What did you learn? What did you find interesting or useful? There are no right or wrong answers here.