

CDFS 600 – Module 2 Lesson Plan

Renting vs. Owning a Home

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Contact Information

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Time Allotment: 2-3 class periods

Grade Level or Target Audience: High School Grade 10-12

ND Standards Competencies:

ND Family and Consumer Science Standard 2.0 Consumer and Family Resources – Evaluate management practices related to the human, economic, and environmental resources.

- 2.1 Demonstrate management of individual and family resources.
- 2.5 Demonstrate management of financial resources to meet the goals of individuals and families across the life span.

ND Family and Consumer Science Standard 5.0 Housing, Interiors, and Furnishings – Demonstrate knowledge and basic skills needed to make informed consumer decisions regarding housing, interiors, and furnishings.

- 5.1 Examine individual and family needs, goals, and resources for housing, interiors, and furnishings.

Key Economic Concepts:

Advantages and disadvantages of renting.

Advantages and disadvantages of owning a home.

Expenses involved in renting and owning a home

Brief Description:

In this lesson, students learn about renting vs. owning a home including the factors involved, advantages, disadvantages, expenses, and reasons to choose a rental or home ownership.

Learner Objectives:

- Determine the factors involved with renting a home.
- Determine the factors involved with owning a home.
- Identify and evaluate advantages and disadvantages of renting and owning a home.
- Compare the monthly expenses of renting and owning a home.
- Identify reasons that influence the decision of renting or owning.

Introduction:

Housing is the largest of the four major personal expenditures (housing, food, transportation, and insurance). In most budgets, it accounts for one-third of a person's income each month. Types and varieties of housing chosen depend on goals, values, needs, and wants. When searching for housing, a person must decide whether to rent or purchase a place to live as well as the amount available to spend on housing and related expenses.

Materials Needed:

Tag board

Markers

Newspaper ads

Worksheet – Renting vs. Owning

Audio/Visual Equipment Needed: computer with internet (optional)

Lesson Outline:

Ask students to raise their hands if they plan on owning a home someday. Also ask them why this is considered a goal.

Activity – Renting vs. Owning

NOTE - The following discussion topics can be approached by various methods – overhead notes, worksheet/study guide, power point presentation, etc.

Discuss reasons for making a housing choice. People choose to rent or buy a home for many different reasons based upon their situation. Ask students what are some factors to consider when faced with the decision to rent or buy. Discuss. Make sure they hit on the main factors:

- Personal and financial goals
- Personal values, needs, and wants
- Amount of money available for housing
- Financial resources
- Credit history
- Real estate prices
- Location
- Expected length of stay in a particular area

Discuss comparing expenses between housing choices. When faced with the decision to rent or buy a home, students need to be aware of additional expenses related to housing. On the board, make 2 columns – one for “Renting” and one for “Owning”. Ask student to list additional expenses related to renting and owning a home. Discuss. Make sure they list the following:

Renting

- Monthly rent
- Security deposit
- Utilities
- Renter’s insurance
- Pet deposits

Owning

- Monthly mortgage payments
- Down payment
- Closing costs
- Utilities
- Homeowner’s insurance
- Real estate property taxes
- Maintenance

Discuss renting. Rent is the cost of using someone else’s property which can include apartments, condos, houses, mobile homes, etc. Discuss the terms – tenant, landlord, property manager, security deposit, and lease. Ask student to list advantages and disadvantages of renting:

Advantages of Renting

- Low move-in costs
- Fixed monthly expenses
- Easy to move
- Location choices
- Less maintenance and repairs
- Fewer responsibilities
- Amenities that may be offered (tennis court, pool, fitness area)
- Less expensive than owning a home
- May be able to save for other wants/needs if renting less expensive apartments
- Other expenses may be included in rent (electricity, water, sewer, garbage)

Disadvantages of Renting

- Must follow terms of lease
- Rent may change with little notice
- Less privacy
- Restrictions on noise level and/or pets
- Fewer opportunities to upgrade apartment (new carpet or paint)
- No equity is returned when leaving a property
- No tax deductions
- May lose rental if the property is sold

Discuss owning. Owning a home is a goal of many Americans. Approximately 2 out of three American families own the homes they live in. 63 million US households own their homes. Home ownership can be a source of great pride and is a significant investment in the US. Discuss terms involved with buying and owning a home – mortgage, collateral, and down payment. Ask students to list advantages and disadvantages of buying a home:

Advantages of owning a home

- Build equity which can be borrowed against if necessary
- Pride of ownership
- Feel more comfortable
- More privacy
- Stable mortgage payment
- More room and storage
- Improvement of credit rating
- Income tax deductions for property taxes and mortgage interest
- Property may increase in value
- Home improvements
- Pets

Disadvantages of owning a home

- Large down payment
- Move-in costs
- Insurance costs
- Possible for property to decrease in value
- Time, money, energy commitment
- Repair and maintenance costs
- Property taxes can raise substantially
- Money is tied up in home
- May take several months/years to sell a home if trying to relocate

Following the notes/discussion, ask students if they can list any other reasons why someone would choose to rent or own a home.

Worksheet – Renting vs. Owning. Have students find ads for two rental units and two homes for sale (using internet or newspaper ads). Have them attach copies of the ads to the worksheet. Students should compare the ads using the worksheet and answering the questions.

Resources:

Family Economics & Financial Education <http://www.familyfinance.montana.edu/>
NEFE High School Financial Planning Program <http://nefe.org/hspfportal/index.html>

Activities:**Renting vs. Owning**

Divide the students into groups (3-4) and give each group a piece of tag board. Have the groups divide their tag board into 2 sections and label one "rent" and one side "own". Give the groups 5 minutes to write reasons why people would rent a home. Then, give the groups 5 minutes to write reasons why people choose to own a home.

Have each group appoint a spokesperson and go around the room reading the lists. Discuss the reasons as a class.

Evaluation Plan:

Worksheet – Renting vs. Owning

Test questions from notes/discussion

Renting vs. Owning

Read the scenario for a renter and a home buyer. Find ads for two rental units and two homes for sale and **attach copies**. Compare the two ads to each other by completing the worksheet and answering the questions.

Rental Units

Bridget, Katie, and Meghan are looking for a place to rent for the school year. Sarah has a cat and they would prefer three bedrooms and two bathrooms. (16 points)

Ad #1

Ad #2

Define any abbreviations in the ad

Monthly rent

Upfront costs

Expenses covered by the rent

Expenses not covered by the rent

Advantages of the property

Disadvantages of the property

Restrictions on the property (pets, smoking)

1. Choose one of the two apartments which best fits the needs of Bridget, Katie, and Meghan. State three reasons why. (4 pts)

Homes for Sale

Matthew and Cami are newlyweds. They work full-time, have no children, and seem to have many of their friends and family coming to visit often. They would like to buy a home. Matthew's annual income is \$45,000 and Cami's annual income is \$25,000. (14 points)

Ad #1

Ad #2

Price of property

Calculate the estimated down payment

Location of the property

Define any abbreviations in the ad

Advantages of the property

Disadvantages of the property

Restrictions on the property

2. What is the maximum amount Matthew and Cami should pay for a home? (2 points)

3. Choose one of the two houses which best fit the needs of Matthew and Cami. State three reasons why. (4 points)