

## ASSIGNMENT #1

### **HANDOUTS NEEDED**

5.01	How to Get Your Full Credit Report
5.02	Factors to improve your credit Score
5.03	Exercise Help Maria Improve Her Credit Score
11.01	Comparison of Costs Rental vs. Purchase
11.04	Worksheet – Comparison of Rental vs Purchase Costs

1. **Get your FREE full CREDIT REPORT –**

Follow the directions on Handout 5.01 to obtain your full credit report. Accessing your report is considered a “soft inquiry,” as you are NOT applying for credit. Therefore, it will NOT affect your credit score, regardless of how often you do it.

Review the report and ensure its accuracy. If there are any discrepancies, write to the company to have them corrected. Keep a copy of all correspondence.

2. **DOWNLOAD CREDIT KARMA & GET YOUR FREE CREDIT SCORE**

- **On a Smartphone, Download the FREE app** Credit Karma and create an account
- OR**
- **Access Credit Karma from a desktop:** <https://www.creditkarma.com/>

Credit Karma is a FREE service that gathers information from two credit reporting agencies (Transunion and Equifax) and translates the credit agencies' information on a person into a Credit Score. They also display some other metrics in an easy-to-read format.

Accessing your credit score through Credit Karma is considered a “soft inquiry,” as you are NOT applying for credit. Therefore, it will NOT affect your credit score, regardless of how often you do it.

However, it is educational to see how your score changes depending on your use of credit, specifically credit cards. Follow your score for a few weeks and see how it changes.

3. **READ HANDOUT – 5.02 WHAT IS A CREDIT SCORE?**

4. **COMPLETE EXERCISE 5.03 – HELP MARIA IMPROVE HER CREDIT SCORE -**

5. **READ HANDOUT 11.01 – Comparison of Costs to Consider - Rent vs. Purchase**

6. **COMPARE PROPERTY COSTS (Rental vs Purchase) - see below for instructions**

Pick a location/neighborhood that interests you.

Find two SETS of properties with similar attributes (each set will include a rental property and a sale property)

In selecting the properties, you can use either Method A or B

- Method A - choose all four properties in the same location/area. In the first search, select apartments; in the second, select a single-family house.
- Method B – have all four properties be the same type (either an apartment or a house), but have two from one community and two from another.

Based on the property information found on the internet and calculating other costs based on the assumptions below - complete two 11.04 Worksheets – Comparison of Rental vs Purchase Costs covering four properties.

TO FIND PROPERTIES

- If you are interested in New York City– use [www.streeteasy.com](http://www.streeteasy.com)
- If you live outside of New York City, use [www.Zillow.com](http://www.Zillow.com)

**When selecting a rental or sale property, make sure the attributes are the same—the most critical attribute is location.**

When researching properties in a city, compare rental and sale units located in the same building or within a few blocks of each other. Real estate values change drastically based on the neighborhood.

Compare properties in the same town and school district if in the suburbs. They should be no more than ½ mile from each other.

**The Rental and Sale of comparable properties MUST:**

- Have the same number of bedrooms
- Have the same number of bathrooms
- Have the same amount of square footage within 10%.
- Have a similar amount of acreage if a single-family home
- Have similar amenities – such as
  - Elevator (for apartments)
  - Doorman (for apartments)
  - Washer/Dryer (either in the building or in the apartment)
  - Pool (either communal or private)
  - Garage Space
  - Basement Storage Lockers

**SUGGESTIONS:**

If you're having trouble locating properties with similar features, try searching large cooperative or condominium buildings where units may be available for BOTH rent and sale. Here are a few buildings where that often happens:

**MANHATTAN:** A four-building complex constructed in the 1960s as rental units and converted in the 1980s to condominiums. Each building now operates independently and contains 400 apartments. Assuming the apartments share the same features, you can compare the prices of units across different buildings.

372 Central Park West

<https://streeteasy.com/building/the-vaux-condominium>

382 Central Park West

<https://streeteasy.com/building/the-olmsted>

392 Central Park West

[https://streeteasy.com/building/cpw-towers-392-central-park-west-new\\_york](https://streeteasy.com/building/cpw-towers-392-central-park-west-new_york)

400 Central Park West

[https://streeteasy.com/building/cpw-towers-400-central-park-west-new\\_york](https://streeteasy.com/building/cpw-towers-400-central-park-west-new_york)

**QUEENS** - 118-17 Union Turnpike Forest Hills New York, A 206-unit cooperative – built in 1973. [https://streeteasy.com/building/118\\_17-union-turnpike-forest\\_hills](https://streeteasy.com/building/118_17-union-turnpike-forest_hills)

**BROOKLYN** –Bayview Courtyard at 2286 Cropsey Avenue, Brooklyn, NY, is a 151-unit condominium recently built in 2023. <https://streeteasy.com/building/bayview-courtyard>

**BRONX** - 555 Kappock Street, also known as Riverpoint Towers, is a 412-unit cooperative in Riverdale. <https://streeteasy.com/building/river-point-towers>

Outside of New York City, communities where there are a lot of single-family homes both for rental and sale might include:

- Lake Worth Beach, Florida
- Las Vegas, Nevada
- Indianapolis, Indiana
- Orlando, Florida

When preparing the COST COMPARISON CHART – assume:

	RENTER	OWNER - PURCHASER
<b>RENT</b>	Assume price listed on the website	None
<b>MORTGAGE COSTS</b> Includes interest and principal (repayment of loan)  Based on the amount of the loan, interest rate, and number of years to pay back.	None	Assume Owner would purchase the home for the list price, make a 20% downpayment and finance 80%, at 6% interest, for a term of 30 years - use the below link to calculate monthly payment. Be careful to enter the downpayment and mortgage amount correctly  <a href="https://www.bankrate.com/mortgages/mortgage-calculator/">https://www.bankrate.com/mortgages/mortgage-calculator/</a>
<b>DOWNPAYMENT LOST OPPORTUNITY COST</b>	None – assumes that the tenant security deposit is in an interest-bearing account and that interest will go to the tenant at the end of the lease.	Calculate the downpayment lost opportunity cost based on 4% of the downpayment. Remember to divide by 12 to get the monthly cost.
<b>REAL ESTATE TAXES</b>	None	Owners pay real estate taxes based on the “assessed” value of the property.  The real estate taxes can normally be found on the website listing.  <b>The exception</b> is NYC COOPERATIVE APARTMENTS whereby the cooperative pays the taxes, and the cost is passed on to the shareholder through the Maintenance fee. (This does not happen in other locations where the taxes are billed to the homeowner even in a cooperative)
<b>COOPERATIVE &amp; HOMEOWNER ASSOCIATION monthly fees = Maintenance</b>  <b>or CONDOMINIUM monthly fees = Common Charges</b>	None – does not apply	Each property is different, but the cost of the maintenance or common charges is usually stated in the website listing.
<b>INSURANCE</b>	Calculate ANNUAL Renters Insurance premium based on: ○ a fee of \$ 125	Calculate ANNUAL Homeowners Insurance premium based on: ○ A fee of \$ 250,

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	<ul style="list-style-type: none"> <li>○ plus 10 cents per square ft. for the ANNUAL premium.</li> <li>○ The annual premium should be divided by 12 to get the monthly cost.</li> </ul> <p>For example, the annual premium for a 750 square ft apartment would have a yearly insurance premium of \$ 125 plus <math>(.10 * 750) = \\$200</math>.</p> <p>Remember to divide the annual premium by 12 to get the monthly cost</p>	<ul style="list-style-type: none"> <li>○ plus 20 cents per sq. ft. (or 40 cents per sq. ft if in a hurricane or flood-prone area)</li> <li>○ plus \$ 100 per \$100,000 valuation.</li> <li>○ The annual premium should be divided by 12 to get the monthly cost.</li> </ul> <p>For example, the annual premium for a 2500 sq. ft house with an assessed value of \$ 500,000 in a NON hurricane area would costs:  <math>\\$ 250 + (2500 * .20) + (100 * 5) = \\$1250</math>.</p> <p>Remember to divide the annual premium by 12 to get the monthly cost</p>
<b>HEAT</b>	None – included in the rent	<p>Assume \$0.75 per sq. ft is the annual cost of heating if in an area where there are cold winters.</p> <p>For example:  A 2,500 sq. ft home would be \$1,875 annually - and even though the heating costs may only occur over a few months, add in the monthly cost as an average</p>
<b>ELECTRICITY</b>	Assume \$0.55 per sq ft on average throughout the year, even though the billing would be higher in the summer months and lower at other times.	Assume \$0.55 per sq ft on average throughout the year, even though the billing would be higher in the summer months and lower at other times.
<b>WATER &amp; SEWER</b>	None - included in the rent	Assume \$ 40 per bedroom in property annually as water and sewer are based on usage.
<b>LANDSCAPING-GARDEN MAINTENANCE</b>	None - If it is an apartment Single-family house garden maintenance is paid by the tenant and assume an annual cost of \$750.	None - If it is a cooperative, condominium as it is covered through maintenance or common charges. If a single-family house and assume an annual cost of \$ 750.

<b>SNOW REMOVAL</b>	None - Included in the rent	If property is an apartment cooperative or condominium the fee is covered in the maintenance/common charges; for a single-family home estimate \$ 300 annually
<b>POOL MAINTENANCE</b> Communal	None - Included in the rent	None – as it would be passed on through maintenance/common charges.
<b>POOL MAINTENANCE -</b> Private	Assume \$2400 annually for opening, closing, and chemicals/upkeep	Assume \$2400 annually for opening, closing, and chemicals/upkeep
<b>REPAIRS/REPLACEMENTS –</b> Appliances, roof, etc.	None - Included in the rent	Assume \$ 1.50 annually per square ft of property regardless of whether an apartment or a single family home. Example a 2500 sq ft property should budget \$3750 annually for repairs and replacements.
<b>REAL ESTATE BROKER FEE -</b>	<p>In New York City, assume the renter pays the broker fee (in May 2025 a new law may change this).</p> <p>Calculate the broker’s commission at 1.5 months’ rent and amortized (spread out) over a 24-month period, assuming the renter signs a two-year lease.</p> <p>For example, if the rent is \$2,000 monthly, the broker’s fee would be \$3,000. When calculating the monthly rental cost, add <math>\\$2,000/24 = \\$83.33</math> per month for the real estate broker fee.</p>	None - the purchaser does not pay this because the broker fee is paid by the seller.

**EMAIL THE INSTRUCTOR**

- **Your answers for exercise 5.03**
- **Two 11.04 worksheets that analyze the cost of two sets of rental and sale properties (either use the EXCEL format or PDF format and write in by hand)**