

ASSIGNMENT #1



HAVING GOOD CREDIT is essential when applying for a mortgage; thus, #1-4 are credit-related.

Handouts 5.01, 5.02, and 5.03 are under the FOUNDATION segment

<https://money101education.com/handouts-foundation-segment/>

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**

Handouts 11.01, 11.02, 11.03, and 11.04 are in the Real Estate segment

<https://money101education.com/handout-real-estate-segment/>

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

6. **READ HANDOUT 11.02 – Factors to Consider when Selecting Real Estate**

7. COMPLETE two forms 11.04 after reading the directions below on how to compare two sets of properties (four properties total)

DIRECTIONS

Pick a location/neighborhood that interests you. Identify two SETS of properties (four total) with similar attributes. In selecting the properties, use either Method A or Method B

- **Method A – ALL PROPERTIES IN THE SAME COMMUNITY** (but two apartments and two single-family houses)
 - In the first search, select an apartment (one rental and one sale) with similar attributes.
 - In the second step, select a single-family house (one rental and one sale) with similar attributes.
- **Method B – IN TWO DIFFERENT COMMUNITIES** - choose four properties
 - In the first search, select a rental and sale property from one community.
 - In the second search, select a rental and a property for sale from a different community.

TO FIND PROPERTIES

If you are interested in New York City, use www.streeteasy.com

If you live outside of New York City, use www.Zillow.com

WHEN COMPARING PROPERTIES, MAKE SURE THEY HAVE THE SAME ATTRIBUTES

- **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. When examining properties in the suburbs or countryside, compare rental and sales units within ½ mile. Real estate values change drastically based on the neighborhood.
- **FEATURES** –
 - The exact same number of bedrooms
 - The exact same number of bathrooms
 - The exact same amount of square footage within 10%.
 - A similar amount of acreage is required for a single-family home
 - 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

400 Central Park West

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

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 completing 11.04 Worksheets Rental vs Purchase Cost, use this chart to help calculate costs if they are not stated on the property website.

	RENT COSTS	OWNER – PURCHASER COSTS
RENT	Assume the price listed on the website	None
MORTGAGE COSTS Include 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 30 years - use the below link to calculate the monthly payment. Be careful to enter the down payment and mortgage amount correctly https://www.bankrate.com/mortgages/mortgage-calculator/
DOWNPAYMENT LOST OPPORTUNITY COST	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.
REAL ESTATE TAXES	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. The exception 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)
COOPERATIVE & HOMEOWNER ASSOCIATION monthly fees = Maintenance	None – does not apply	Each property is different, but the website listing usually states the maintenance cost or common charges.

or CONDOMINIUM monthly fees = Common Charges		
INSURANCE	<p>Calculate the ANNUAL Renters Insurance premium based on:</p> <ul style="list-style-type: none"> ○ a fee of \$ 125 ○ plus 10 cents per square ft. for the ANNUAL premium. ○ The annual premium should be divided by 12 to get the monthly cost. <p>For example, the annual premium for a 750 square foot apartment would have a yearly insurance premium of \$ 125 plus $(.10 * 750) = \\$200$.</p> <p>Remember to divide the annual premium by 12 to get the monthly cost</p>	<p>Calculate the ANNUAL Homeowners Insurance premium based on:</p> <ul style="list-style-type: none"> ○ A fee of \$ 250, ○ plus 20 cents per sq. ft. (or 40 cents per sq. ft if in a hurricane or flood-prone area) ○ plus \$ 100 per \$100,000 valuation. ○ The annual premium should be divided by 12 to get the monthly cost. <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: $\\$ 250 + (2500 * .20) + (100 * 5) = \\1250.</p> <p>Remember to divide the annual premium by 12 to get the monthly cost</p>
HEAT	None – included in the rent	<p>Assume \$0.75 per sq. ft is the annual cost of heating in an area with 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>
ELECTRICITY	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.
WATER & SEWER	None - included in the rent	Assume \$ 40 per bedroom in property annually, as water and sewer are based on usage.
LANDSCAPING-GARDEN MAINTENANCE	None - If it is an apartment The tenant pays for single-family house garden	None - If it is a cooperative or condominium, it is covered through Maintenance or common charges.

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	maintenance, which has an annual cost of \$750.	If a single-family house assume an annual cost of \$ 750.
SNOW REMOVAL	None - Included in the rent	If the property is an apartment cooperative or condominium, the fee is covered in the maintenance/common charges; for a single-family home, the estimate is \$ 300 annually
POOL MAINTENANCE Communal	None - Included in the rent	None – as it would be passed on through maintenance/common charges.
POOL MAINTENANCE - Private	Assume \$2400 annually for opening, closing, and chemicals/upkeep	Assume \$2400 annually for opening, closing, and chemicals/upkeep
REPAIRS/REPLACEMENTS – Appliances, roof, etc.	None - Included in the rent	Assume \$ 1.50 annually per square foot of property, regardless of whether an apartment or a single-family home. For example, a 2500 sq ft property should budget \$3750 annually for repairs and replacements.
REAL ESTATE BROKER FEE -	<p>No longer passed on to the renter in NYC due to a new law.</p> <p>In other areas, if it is typical for the renter to pay the broker fee, calculate the broker's commission at 1.5 months' rent and amortized (spread out) over 24 months, 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 $\\$2,000/24 = \\83.33 per month for the real estate broker fee.</p>	When you buy a property, the Seller pays the broker, which is NOT a cost a purchaser needs to include.

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 the PDF format and write in by hand)