

SECTION 10-8 Other Housing Costs

In addition to your monthly mortgage payment, real estate taxes, and insurance payment, you will have other expenses for utilities, maintenance, and home improvements. The Federal Housing Administration (FHA) recommends that your total monthly housing cost be less than 35 percent of your monthly net pay.

1. Mario Orozco's monthly net pay is \$3,245.

Housing expenses for November were:

Mortgage Payment	\$ 636.30
Real Estate Taxes	172.00
Insurance	29.50
Electricity	87.50
Heating Fuel	60.50
Telephone	39.50
Cable Service	39.99

Total Housing Costs _____

Is it within the FHA recommendation? _____

2. Kamil Saleb's monthly net pay is \$2,150.

Housing expenses for March were:

Mortgage Payment	\$502.32
Real Estate Taxes	180.91
Insurance	29.50
Electricity	126.30
Gas	56.32
Telephone	44.25
Water/Sewer Service	25.60

Total Housing Costs _____

Is it within the FHA recommendation? _____

3. The Miquels had the following housing expenses for September: mortgage payment of \$396.80, \$34.15 for insurance premium, \$139.40 for real estate taxes, \$44.75 for home improvements, \$51.20 for electricity, \$29.75 for telephone service, \$63.84 for natural gas, and \$18.50 for water. Their monthly net pay is \$2,478.60.

a. What is their monthly housing cost? _____

b. Based on their monthly net pay, what is the recommended FHA maximum for their housing expenses? _____

c. Is their monthly housing cost within the FHA recommendation? _____

4. Lori and Mike Boyd have a combined monthly net income of \$3,395. Their records show that last year they paid \$5,484.60 in mortgage payments, \$356 for insurance premiums, and \$2,240 in annual real estate taxes. They also had the annual expenses shown. Did they stay within the FHA recommendation?

Electricity	\$1,960.00
Water	194.50
Telephone	275.28
Washer/dryer	941.76
Painting	857.60
New carpeting	1,231.75

5. You purchased a brick home for \$162,500. You had a 20 percent down payment and financed the remainder at 8.00 percent for 25 years. Your property tax rate is 86.41 mills with an assessment rate of 25 percent. You had the housing expenses shown. How much net income do you need to be within the FHA recommendation?

Insurance	\$ 645.00
Electricity	1,140.37
Water	438.70
Telephone	507.96
Heating fuel	1,297.74
Repairs	446.20

10-8 ANSWERS

1) Add all the numbers.

$$\begin{array}{r}
 636.30 \\
 172.00 \\
 29.50 \\
 87.50 \\
 60.50 \\
 39.50 \\
 + 39.99 \\
 \hline
 1065.29
 \end{array}$$

- you monthly income is \$3245
- The FHA recommends your total housing cost be less than 35% of your income. (monthly or yearly)

Is it within the FHA Recommendation?

$$3245 \times .35 = 1135.75 \quad \text{yes } (\$1065.29 \text{ is less than } \$1135.75)$$

2) Total housing cost = 965.20

Is it within FHA Recommendation?

- your monthly income is \$2150

$$2150 \times .35 = 752.50$$

(35% of 2150 is 752.50)

No. 965.20 is not less than 752.50

3) a) Add: $396.80 + 34.15 + 139.40 + 44.75 + 51.20 + 29.75 + 63.84 + 18.50 = 778.39$

b) $2478.60 \times .35 = 867.51$

c) yes. (778.39 is less than 867.51)

4) yearly! Add up all expenses in box and

(a) in problem. Box $\rightarrow 5460.89 + 8080.60$ ← from problem
 yearly housing cost: $= 13,541.49$ ✓

$$\begin{array}{r}
 5484.60 \\
 356.00 \\
 + 2240.00 \\
 \hline
 8080.60
 \end{array}$$

(b) monthly income $\times 12 =$ yearly income
 $3395 \times 12 = 40,740$

(c) $40,740 \times .35 = 14,259$

Yes! \$13,541.49 is less than \$14,259.