**GRADE 12 ESSENTIAL
UNIT F - HOUSE FINANCE
UNIT REVIEW**

Name:_____
Date: _____

MULTIPLE CHOICE

1. Ethan's gross monthly income is $4,869. He has no debts. What is the maximum amount that Ethan can afford for monthly housing costs? Use the Gross Debt Service Ratio (GDSR).

    A. $1558.08 B. $1200.00 C. $4869.00 D. $1947.60

2. Which costs are called housing costs when determining debt service ratios?

    A. mortgage payment + property taxes
    B. only mortgage costs
    C. mortgage payment + property taxes + heating costs
    D. mortgage payment + utility costs

3. Ingrid and Jesse want to buy a home that costs $235 000. They need 5% of the purchase price for the minimum down payment. How much will they need for the down payment?

    A. $11 750   B. $1175   C. $5000   D. $205 000

4. Which closing cost helps home buyers identify repairs they might need to make in a home they plan to buy?

    A. moving expenses   B. home inspection
    C. lawyer's fees   D. house insurance

5. Which closing cost will protect the buyer for property damage or theft?

    A. land transfer tax   B. lawyer's fees
    C. home inspection   D. house insurance

6. Hudson takes possession of his new home on Aug 1. The property tax is $2430/yr. The vendors have already paid the property tax for the year. How much must Hudson pay for his share of the tax when the deal closes?

    A. $1417.50   B. $1215.00   C. $202.50   D. $1012.50

7. Which of these factors could affect the cost of home insurance?

    A. the location of your home
    B. the distance to the nearest fire station
    C. the age of your home
    D. all of the above

8. Riley wants to buy a house in Thompson that costs $174 000. How much is the land transfer tax?

Manitoba Land Transfer Tax	
Value of property	**Rate**
on the first $30 000	0%
on the next $60 000 ($30 001 to $90 000)	0.5%
on the next $60 000 ($90 001 to $150 000)	1%
on the next $50 000 ($150 001 to $200 000)	1.5%
over $200 000	2%

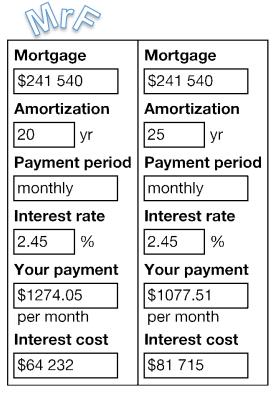   A. $1260.00   B. $1062.50   C. $1650.00   D. $10 625.00

9. The interest rate for Debbie and Mark's mortgage is 2.45%. They can choose a 20 yr or a 25 yr amortization period. How much less is the interest cost for the shorter amortization period?

    A. $5387.55

    B. $17 483

    C. The interest cost is the same for both amortization periods.

    D. $196.54

Mortgage	Mortgage
$241 540	$241 540
Amortization	**Amortization**
20 yr	25 yr
Payment period	**Payment period**
monthly	monthly
Interest rate	**Interest rate**
2.45 %	2.45 %
Your payment	**Your payment**
$1274.05	$1077.51
per month	per month
Interest cost	**Interest cost**
$64 232	$81 715

10. Why might someone choose a long amortization period for a mortgage loan instead of a short one?

    A. The mortgage payments are lower.
    B. The borrower will pay less interest over the life of the loan.
    C. Banks reduce the interest rates for longer amortization periods.
    D. The loan can be paid off more quickly.

11. What changes when you increase the down payment for a mortgage loan?

    A. If the down payment is more than 10% of the purchase price, you do not need to pay mortgage default insurance.
    B. Nothing changes. The loan terms remain exactly the same.
    C. You borrow more money so your payment increases and you pay more interest over the loan period.
    D. You borrow less money so your payment decreases and you pay less interest over the loan period.

12. Sasha needs to borrow $210 000 for a mortgage. The online calculators show interest rates from two different lenders. How much money will Sasha save in 1 yr if she chooses the lower interest rate?

    A. $82 001.96   B. $2.40

    C. $11305.20   D. $3280.08

Mortgage	Mortgage
$210 000	$210 000
Amortization	**Amortization**
25 yr	25 yr
Payment period	**Payment period**
monthly	monthly
Interest rate	**Interest rate**
4.9 %	2.5 %
Your payment	**Your payment**
$1215.44	$942.10
per month	per month
Interest cost	**Interest cost**
$154 630.50	$72 628.54

13. Which of these is a benefit of owning a home instead of renting?

    A. You do not need to pay property taxes directly.
    B. It costs less for maintenance and repairs.
    C. You can use the equity in your home as an asset to borrow money.
    D. It is easier to move if you get a job in another location.

14. Brad and Janet's home is assessed at $227 750.
    • Their property taxes are based on 35% of the assessed value.
    • The mill rate is 10.075 for municipal taxes and 13.095 for school-division taxes.

    How much are the property taxes on their home?

    A. $1309.26   B. $79 712.50
    C. $5430.50   D. $1846.93

15. Which statement best describes how a mortgage changes as the amortization period progresses?

    A. You repay increasing amounts of the principal each year because you have less interest to pay as the balance decreases.
    B. You pay increasing amounts of interest each year because the principal keeps increasing.
    C. Your regular payment decreases every year.
    D. Your regular payment increases every year.

OPEN Answer

1. Manny has just moved into an apartment block. How much will he have to pay per year to insure his belongings for $65 000 per year with Comprehensive coverage and a $200 deductible? (Tables at end)

2. The Johnson's have purchased a house with a replacement value of $215 000. They want a Comprehensive policy and live in a town with the nearest fire station 4 kilometres away. (Area 3). Find their premium if they choose a $500 deductible.

3. Anne takes out a mortgage of $165 000 from the bank for 20 years at 5.5%. What is her monthly payment?

4. Al borrows $155 000 at 6.25%. What interest will he pay in the first month?

5. Larry pays $1037.00 per month on his mortgage. This month $251.62 goes to equity. What will be the amount he pays towards the interest this month?

6. Stephanie inherited a cottage from her uncle. The cottage has an assessed value of $175 000. Property taxes are based on a portioned assessment of 47.2% of the assessed value. What is the portioned assessment of Stephanie's cottage?

7. The budget requirement for Warren, Manitoba is $2 660 000. The taxable portioned assessment of the town is $75 000 000. What is the mill rate for Warren properties?

8. Why does it make sense to look for a home that costs less than the maximum amount you can afford?

9. What happens to the amount of interest you pay on a mortgage loan when you increase the down payment? Explain.

10. Shauna owns a house that has an assessed value of $289 500.
- The residential property taxes are based on 45% of the assessed value.
- The mill rate is 15.48 for municipal taxes and 12.9 for school-division taxes.

How much does Shauna pay each year for property taxes?

11. Complete the first 2 months of the following mortgage spreadsheet given that Margo purchased her home for $215 000 and placed a $55 000 down payment. She borrowed the rest from the bank at a rate of 4.75% for 25 years.

Selling Price:_____ Down Payment:_____

Principal:_____ Interest Rate:_____

Amortization Period:_____ Monthly Payment:_____

Payment #	Due Date	Monthly Mortgage Payment	Interest Portion (month)	Principal Portion (month)	Unpaid Balance (SellingPrice-Down Payment)	Owner's Equity (Principal Paid + Down Payment)
			(Rate x Balance÷12)	(Payment – Interest)	(Previous Balance-Principal)	(Previous Balance+ Principal)
1						
2						

12. Karen wants to buy a house worth $190 000. She makes a down payment of $25 000. Monthly property taxes are $265 and heating costs are $195 per month.

Calculate Karen's Gross Debt Service Ratio if her gross monthly income is $3,200 and her bank is offering 4.75% over 20 years.

Can Karen afford this house?

13. Mr. Johnson's family has decided to buy a larger home for work purposes, and the date of possession is March 1. The price of the home is $185 000 and he has $50 000 as a down payment. The following additional costs are related to the purchase of the home:

The Johnson's decide to have an inspection done on the home to ensure that there are not any issues with the structure of the building. The inspection fee is $400.00. The bank charges $150.00 for the mortgage application fee. The new home is appraised, and the fee is $250.

The bank requires a land survey which costs $550.

The legal fees are $575. The land transfer tax is calculated using the chart below.

The interest adjustment that the Johnson's must pay is $498.03. The Johnson's will buy homeowner's insurance on the new home for $859, but will receive a refund of $500 from the previous home insurance policy.

The previous owner had paid the entire year's property taxes of $4,350, and the Johnson's will have to pay for their share of the taxes from March to December.

The movers charged $1 200 for moving his furniture and other belongings, and the company he works for paid half of this.

The family decided to install new carpets into part of the house at a cost of $2 400 plus PST and GST. The cost of hooking up telephone, TV and Internet are $195.

Examine the Johnson family's situation and determine the additional costs for Mr. Johnson and his family.

Manitoba Land Transfer Tax	
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TOTAL LAND TRANSFER TAX	

CLOSING COSTS TEMPLATE / CHECKLIST	
Initial Fees:	
Inspection Fee	
Mortgage Application Fee	
Appraisal Fee	
	Total Initial Fees: Total _____
Lawyer's Disbursement and Fees:	
*Land Transfer Tax	
Property Survey	
Other Legal Disbursements	
Legal Fees _____	
Total Lawyer's Disbursement and Fees: Total	_____
Adjustments:	
Interest Adjustment	
*Property Tax Adjustment	
*Home Insurance Adjustment	
Total Adjustments: Total	_____
Other Additional Costs:	
Service Charges	
Moving Expenses	
Immediate Expenses	
Appliances	
Decorating Costs	
Total Other Additional Costs: Total	_____
GRAND Total Closing Costs and Extras:	

14. Maria decided to buy a house worth $175 000. The down payment will be $19 000 and the bank will finance the mortgage at 6.50% for 20 years.

a) Determine Maria's GDSR if the monthly property taxes are $320, the heating costs are $250 per month, and her gross monthly income is $4500.

b) Unfortunately, there is a bidding war, several other families are making offers on the house so the price may go up! Using the following chart, calculate the maximum affordable price.

Template to calculate the maximum price of a house for a given monthly payment. (Really just undoing the GDSR formula, doing algebra)		
Gross monthly household income:	=	
Multiply: (Gross Debt Service Ratio)		x 0.32
Total affordable household expenses	=	
Subtract:		
Monthly property taxes	-	
Monthly heating costs	-	
Monthly affordable mortgage payment	=	
Use a TVM Loan Calculator to determine the maximum price she can pay for the house if she has to make a higher bid. Do a hand-drawn 'screenshot' of the calculation →		

Amortization Period of Mortgage Loan When Paid Monthly (Blended payment of principal and interest per $1000 of loan)					
Interest Rate	5 years	10 years	15 years	20 years	25 years
4.00%	$18.40	$10.11	$7.38	$6.04	$5.26
4.25%	18.51	10.23	7.50	6.17	5.40
4.50%	18.62	10.34	7.63	6.30	5.53
4.75%	18.74	10.46	7.75	6.44	5.67
5.00%	18.85	10.58	7.88	6.57	5.82
5.25%	18.96	10.70	8.01	6.71	5.96
5.50%	19.07	10.82	8.14	6.84	6.10

Table 4: Tenant's Package Policy

Tenant's Package Policy ($500 deductible)		
All Areas – Manitoba		
Coverage Amount	Standard Form	Comprehensive Form
$25 000	$158.00	$200.00
$30 000	$174.00	$226.00
$35 000	$199.00	$252.00
$40 000	$212.00	$269.00
$45 000	$235.00	$298.00
$50 000	$254.00	$324.00
$55 000	$272.00	$346.00
$60 000	$293.00	$373.00
$65 000	$315.00	$400.00
$70 000	$337.00	$427.00
$75 000	$359.00	$454.00
Each additional $1000	$4.50	$5.50

$200 deductible – Increase premium by 10%

Manitoba Homeowner's Insurance Rates

Manitoba Homeowner's Insurance Rates ($500 deductible)								
	Winnipeg		Area 2		Area 3		Area 4	
Amount	Standard	Comprehensive	Standard	Comprehensive	Standard	Comprehensive	Standard	Comprehensive
$ 50 000	195	214	147	161	196	216	261	287
$ 55 000	216	238	160	176	217	239	289	318
$ 60 000	237	260	173	190	237	261	315	347
$ 65 000	252	277	187	205	255	281	339	373
$ 70 000	266	303	200	220	270	297	359	395
$ 75 000	294	314	210	231	285	314	379	417
$ 80 000	310	323	221	243	302	332	402	462
$ 85 000	318	333	226	249	313	344	416	458
$ 90 000	324	349	231	254	324	356	431	474
$ 95 000	348	370	244	268	345	380	459	505
$100 000	364	393	260	286	361	397	480	528
$105 000	390	417	278	306	378	416	503	553
$110 000	402	441	293	322	393	432	523	575
$115 000	418	464	299	329	409	450	544	598
$120 000	436	487	309	340	424	466	564	620
$125 000	451	510	319	351	444	488	591	650
$130 000	472	543	339	373	466	513	620	682
$135 000	498	557	345	380	477	525	634	697
$140 000	523	580	358	394	496	546	660	726
$145 000	538	596	375	413	508	559	676	744
$150 000	550	604	385	424	520	572	692	761
$155 000	557	613	398	438	551	606	733	806
$160 000	565	622	413	454	569	626	757	833
$165 000	572	629	425	468	589	648	783	861
$170 000	590	647	441	485	609	670	810	891
$175 000	607	668	451	496	624	686	830	913
$180 000	620	686	466	513	648	713	862	948
$185 000	636	702	478	526	667	734	887	976
$190 000	652	717	492	541	705	776	938	1032
$195 000	678	742	504	554	720	792	958	1054
$200 000	692	771	519	571	726	799	966	1063
Additional Amounts per $1000 coverage	Add: $3.15	Add: $3.50	Add: $2.75	Add: $3.03	Add: $3.55	Add: $3.91	Add: $4.72	Add: $5.19

$200 deductible—Increase premium by 10%