

## Renting Your First Place

### The **BIG** Idea

- What do I need to know before I rent my first place?  
How is renting different than buying?

### AGENDA

Approx. 45 minutes

- I. Warm Up: Choose Your Pad!  
(5 minutes)
- II. Figuring Out a Budget  
(10 minutes)
- III. Finding the Place (15 minutes)
- IV. Renting vs. Owning  
(10 minutes)
- V. Wrap Up (5 minutes)

### MATERIALS

#### STUDENT HANDBOOK PAGES:

- Student Handbook page 174, Rental Listings
- Student Handbook page 175, Housing Budget
- Student Handbook page 176, Rental Worksheet
- Student Handbook page 177, Renting vs. Owning
- Student Handbook page 178, Email to a Friend

#### FACILITATOR PAGES:

- Facilitator Resource 1, Housing Budget Answer Key

- Overhead Projector

### OBJECTIVES

During this lesson, the student(s) will:

- Understand how to determine a reasonable amount for rent given a particular budget.
- Understand how to search for and evaluate different rental properties.
- Understand the differences between renting and buying.

## OVERVIEW

In this lesson, students begin by reviewing some rental listings and choosing the one they think would be the best fit for them after graduation. Next, they use a given income to figure out their housing budget, as well as what they might expect to spend on other household expenses. Then, they discuss important factors to consider when searching for a rental property before reviewing actual properties in their town. Next, they discuss the difference between renting and owning, and the advantages and disadvantages of each. The lesson concludes with advice for a friend re: choosing a place to rent.

## PREPARATION

- The following handouts need to be made into overhead transparencies or copied onto chart paper:
  - **Student Handbook page 174, Rental Listings**
  - **Student Handbook page 175, Housing Budget**
  - **Student Handbook page 176, Rental Worksheet**
  - **Student Handbook page 177, Renting vs. Owning**
  - **Student Handbook page 178, Email to a Friend**
- Prepare materials for **Activity III, Finding a Place**. (See **IMPLEMENTATION OPTIONS** below.)
- List the day's **BIG IDEA** and activities on the board.
- List the day's vocabulary and definitions on the board.
- Activity III** requires computers with Internet access. Make arrangements to use the computer lab.

## VOCABULARY

**Equity:** the difference between a property's value and the loan amount still owed.

**Rent:** regular payment from a tenant to a landlord to live in a property.

**Utility:** a service such as gas, electric, or phone.

## IMPLEMENTATION OPTIONS .....

For **Activity II, Figuring Out a Budget**: After calculating their budgets, students will determine that they have \$258 to spend on rent each month. If this will not cover an apartment in your area (even one shared with one or more roommates), consider increasing the monthly contribution from parents for living expenses (currently \$300.00). (Teachers in major metropolitan areas may need to acknowledge that city apartments may be beyond students' means immediately after graduation, and choose to investigate locations outside the city.)

For **Activity III, Finding the Place**:

- In this section, students are asked to search rental properties and record details about their top two choices. Help them narrow down their searches by specifying a neighborhood near a college in your area.
- If computer access is not readily available, research appropriate rental properties in your area and print them out for your students: [www.move.com/apartments/main.aspx](http://www.move.com/apartments/main.aspx) is one source, searchable by zip code. You may also choose to find and photocopy classifieds from your local paper.

For **Activity V, Student Handbook page 178, Email to a Friend**, you may wish to have students present their ideas verbally rather than writing them down.

## ACTIVITY STEPS

### I. Warm Up (5 minutes)

1. [To begin this lesson, refer students to **Student Handbook page 174, Rental Listings**, as they enter the classroom. Give students a few minutes to read the scenario and answer the questions.]
2. **SAY SOMETHING LIKE:** Welcome, everybody. By now, I hope you've had a chance to choose a place to rent from the listings. I'd like to see a show of hands: How many of you think you'd like to find your own place after you graduate? Then I think you're going to be interested in our next two lessons. Today and next week we're going to focus on renting and buying your own place.

### II. Figuring Out a Budget (10 minutes)

1. **SAY SOMETHING LIKE:** Like any big decision you make that involves money, it's important to figure out how much you can afford first. After all, you don't want to find the place of your dreams and sign a lease, only to discover you don't have enough money after rent to cover your other bills.
2. **SAY SOMETHING LIKE:** How much can you afford on rent? Well, this depends on how much you make, how much you'll need to cover other expenses, and where you live. But here's a general rule about housing: You can spend between 25-35% of your net income on rent. Remember, your net income is what you take home after taxes are taken out.
3. [Have students turn to their **Student Handbook page 175, Housing Budget** and display this page on the overhead projector. Review the scenario in which they are about to start their freshman year in college and have a part-time job lined up at the campus bookstore. Have students complete parts I and II to determine their monthly income and estimate how much they can spend on housing. Depending on their math proficiency, you could have students work individually or in pairs, or walk through the worksheet calculations as a class.]
4. **SAY SOMETHING LIKE:** What did we determine? How much do we have to spend on monthly rent?

Now if we spend this on rent, have we covered our household expenses? Of course not! Just think back to our car budget. There were additional costs associated with having a car, like paying for gas, repairs, insurance, and more. It's the same thing with having

your own place. Even after you pay for rent, you still need to cover the cost of **utilities** like water, electricity, gas, phone, and cable. These costs can vary depending on where you live, but you do have some control over what you pay. For example, you can cut costs by conserving electricity and water, or by choosing basic cable or cutting it out all together. The general rule is that you should not pay more than 10% of your monthly income on these expenses. The good news is that some rentals include utilities like electricity and water.

[Have students complete Part III of **Student Handbook page 175, Housing Budget** to estimate how much they'll spend on utilities.]

5. **SAY SOMETHING LIKE:** There are even more expenses to consider if you're moving into your own place for the first time. [As time allows, review the following expenses to give students a sense for expenses associated with moving into their first place:
  - a. **Moving Expenses:**
    - Rent for first and last month
    - Security deposit for rental unit
    - Deposits for utilities (telephone, electricity, water, etc.)
    - Renting a truck
  - b. **"Getting Settled" Expenses:**
    - New furniture
    - Appliances
    - Sheets
    - Towels
    - Brooms
    - Utensils
    - Dishes]
  
6. **SAY SOMETHING LIKE:** There's one other expense I want to mention. You probably remember from the last lesson the importance of auto insurance, which covers expenses if you're in an accident or your car is damaged or stolen. Well, there's also renter's insurance, which covers expenses if your belongings are damaged or stolen. Of course, the owner of the rental unit has insurance, but this only covers the cost of the building itself – not any of your belongings inside the building. So if there's a fire, a burst pipe, or a burglary, you're responsible for your own belongings. Renter's insurance will help you repair or replace your belongings. The average cost of renter's insurance is about \$200 to \$240 a year, or \$17 to \$20 a month.

### III. Finding the Place (15 minutes)

1. **SAY SOMETHING LIKE:** Now that you've figured out what you can afford, it's time to find a place that fits your needs. What are some of the things you should consider when looking for a place to live? [Start a list on the board, guiding them to identify the following categories:
  - Location: Is it close to work/school, public transportation, bank and stores, entertainment, friends? Is it in a safe neighborhood? Is there parking available?
  - Rent: Is it within my budget?
  - Utility bills: Are any utilities covered?
  - Overall condition: Is it clean and in relatively good condition inside and out? Do you see leak stains on the ceilings or mold around the bathtub? Do the appliances function properly?
  - Appliances/Facilities: Does the place have a washer/dryer or dishwasher? If it's an apartment complex, is there a pool?
  - Roommates/Number of Roommates: Will I need to live with other people? If so, how many? What are advantages and disadvantages of having roommates?
  - Landlord or Management Company: Does the company have a good reputation? Does the landlord seem responsive and trustworthy? If possible, talk to other tenants.]
  
2. **SAY SOMETHING LIKE:** Now it's time to begin your rental search, keeping some of these things in mind. You'll be searching for rentals in or near our own town. [If you have decided to narrow students' searches, specify which area or zip code they should search.]
  
3. [Have students turn to their **Student Handbook page 176, Rental Worksheet** and display this page on the overhead projector. Explain that they will be identifying their top two choices and recording details about each one in the chart. Point out that the more bedrooms a place has, the less expensive it typically is per person. Therefore, if they have a difficult time finding a place in their price range, they should consider more bedrooms. While this may add a roommate or two, it will decrease their overall rent. Likewise, when they record their rent on the chart, be sure to divide the total rent by the number of roommates they'll have.]

If computer and Internet access is available, let students work in pairs to find places using online classifieds from your local paper or websites such as <http://www.move.com/apartments/main.aspx>. If the class does not have computer access, use these tools to print out options for students to select their own choices.]

4. [Ask volunteers to share their top choices. When they started searching, which features were most important? Which features were they willing to sacrifice?]

#### IV. Renting vs. Owning (10 minutes)

1. **SAY SOMETHING LIKE:** So far today we've just focused on renting, or paying for the right to live where someone else owns the property. Someday, many of you may want to own your place. Very few people can pay cash to buy a home; most must find a bank to lend them money for this purchase. A mortgage, or a home loan, works kind of like a car loan: you pay interest for the loan and pay off the loan over time. The main difference is that you're paying off a much larger loan over years instead of months.
2. [Have students turn to their **Student Handbook page 177, Renting vs. Owning** and display this page on the overhead projector. Review this chart showing some of the advantages and disadvantages of renting and owning.

3. Make sure students understand what it means to build **equity**:

**SAY SOMETHING LIKE:** If you pay \$1,000 in rent over five years, you'll spend \$60,000, but have nothing to show for it. If you pay the same amount in mortgage payments for five years, you've paid \$60,000 towards your home. (Some of this will go towards the interest you pay for your home loan, but much of it goes towards paying off the loan.) The value of your home, minus what you still owe on the loan, is the equity you've built. Typically, equity in your home continues to increase with time, as your home's value increases and your loan decreases.

4. **SAY SOMETHING LIKE:** So, when will you know when you're ready to buy a home? Here are some questions you'll want to ask yourself:
  - **How long do I want to stay in this location?** You'll want to know that you'll be in a location for more than a few years. If you're thinking about moving in a few years, it's usually smarter to rent. After all, buying a home is a long-term investment, which might cost you money in the first few years.
  - **Do I have a steady job?** It's important to know that your income is not going to decrease, or even better that it will likely steadily increase over time. You don't want to be stuck with mortgage payments you can't make if you lose your job.
  - **How much savings do I have?** There are substantial up-front costs associated with buying a house, so it's important to have enough in your savings account to cover these.

- **How's my credit rating?** This will affect the loan you can get, so it's important to fix problems and improve credit ratings as much as possible before you start searching for a loan.

## V. Wrap Up (5 minutes)

1. **SAY SOMETHING LIKE:** Before we end for the day, I'd like you to turn to your **Student Handbook page 178, Email to a Friend**. Here's the scenario: Your best friend is searching for a place out of town where he'll be taking classes at a community college. Read his email and think of at least three questions he should consider before he signs the lease.
2. [Give students a few minutes to consider their questions. Then ask a few volunteers to share their ideas.]
3. **SAY SOMETHING LIKE:** Great job today, everyone. Next week, we'll complete the **Money Matters Unit** with our final lesson: rental agreements.



## Housing Budget Answer Key

You are about to start your freshman year in college. You're looking for a place to live, but first you need to figure out your budget to determine what you can spend on housing costs each month. The place to start is with your budget:

- **In part I**, figure out your net income. You'll have a part-time job at the campus bookstore, working 20 hours a week at \$10/hour. You're also receiving \$300/month from your parents to help cover living expenses.
- **In part II**, estimate out how much you can spend on housing or rent. (The rule of thumb is to spend between 25% and 35% of your income on housing, so we've used 30%.)
- **In part III**, estimate out how much you'll need for utilities and household expenses like water, electricity, and phone. (The general rule is to spend no more than 10% of your income on these expenses.)

### PART I

#### 1. Monthly Income

- |  |               |
|--|---------------|
| a) Gross monthly income from bookstore<br>(hourly rate X total weekly hours X 4) | \$ <u>800</u> |
| b) Deductions<br>(30% of a, or 0.3 X a)  | \$ <u>240</u> |
| c) Net monthly income from bookstore<br>(a – b = c)                              | \$ <u>560</u> |
| d) Monthly check from parents  | \$ <u>300</u> |
| e) Total Monthly Income<br>(c + d = e)   | \$ <u>860</u> |

### PART II

#### 2. Monthly Housing Budget

- |  |               |
|--|---------------|
| a) Total Monthly Income<br>(line 1e above)   | \$ <u>860</u> |
| b) Housing Budget<br>(30% of 1e, or 0.3 X a) | \$ <u>258</u> |

### PART III

#### 3. Monthly Utilities/Household Expenses

- |   |               |
|---|---------------|
| a) Total Monthly Income<br>(line 1e above)                  | \$ <u>860</u> |
| b) Utilities/Household Expenses<br>(10% of 1e, or 0.1 X 1a) | \$ <u>86</u>  |

## Rental Listings

Imagine that in a month, you're starting your freshman year at the community college. You've already secured a part-time job at the campus bookstore, but you still need to find a place to live. Read the rentals below and choose the one that you think is the best fit for you. Then answer the questions below.

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### RENTALS

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**PEACE AND QUIET.** Share a 2-BR apartment with quiet, studious roommate, 5 miles from campus on bus route. \$325/month.

**PLACE OF YOUR OWN.** 1-BR apartment, 4 blocks from campus. \$375/month, utilities included.

**IF YOU PARTIED HERE, YOU'D BE HOME NOW!** Two fun-loving roommates need another to share 3-BR house right across from campus. \$300/month.

**INSPIRED LIVING IN THE WOODS.** Artist and musician looking for creative type to share a 3-BR house in the woods, just a 2-mile bike ride from campus. \$350/month, including utilities.

**CRASH HERE FOR CHEAP.** Laid-back ex-student looking for roommate to share 1BR apartment with pullout sofa. \$200/month and some utilities.

Which one did you choose?

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What are the advantages of this choice?

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What concerns do you have?

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What questions would you need to figure out before you made a decision?

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## Housing Budget

You are about to start your freshman year in college. You're looking for a place to live, but first you need to figure out your budget to determine what you can spend on housing costs each month. The place to start is with your budget:

- **In part I**, figure out your net income. You'll have a part-time job at the campus bookstore, working 20 hours a week at \$10/hour. You're also receiving \$300/month from your parents to help cover living expenses.
- **In part II**, estimate out how much you can spend on housing or rent. (The rule of thumb is to spend between 25% and 35% of your income on housing, so we've used 30%.)
- **In part III**, estimate out how much you'll need for utilities and household expenses like water, electricity, and phone. (The general rule is to spend no more than 10% of your income on these expenses.)

### PART I

#### 1. Monthly Income

- a) Gross monthly income from bookstore  
(hourly rate X total weekly hours X 4) \$ \_\_\_\_\_
- b) Deductions  
(30% of a, or  $0.3 \times a$ ) \$ \_\_\_\_\_
- c) Net monthly income from bookstore  
( $a - b = c$ ) \$ \_\_\_\_\_
- d) Monthly check from parents \$   300
- e) Total Monthly Income  
( $c + d = e$ ) \$ \_\_\_\_\_

### PART II

#### 2. Monthly Housing Budget

- a) Total Monthly Income  
(line 1e above) \$ \_\_\_\_\_
- b) Housing Budget  
(30% of 1e, or  $0.3 \times a$ ) \$ \_\_\_\_\_

### PART III

#### 3. Monthly Utilities/Household Expenses

- a) Total Monthly Income  
(line 1e above) \$ \_\_\_\_\_
- b) Utilities/Household Expenses  
(10% of 1e, or  $0.1 \times 1a$ ) \$ \_\_\_\_\_

## Rental Worksheet

Search for a rental near a local college. Use the web, a local newspaper, or printouts from your teacher to search for available rentals in your price range. Record important details about your top choices below.

Remember, if the apartment or house has more than one bedroom, assume you will have enough roommates to fill each bedroom. In this case, remember to divide the rent by the number of roommates. (\$900/month for three roommates is \$300/each.)

I'm looking for a place near \_\_\_\_\_. The zip code is \_\_\_\_\_.

	RENTAL #1	RENTAL #2
Rent		
Roommates? (no/yes, number)		
Utilities Covered? (yes/no)		
Proximity to Work/School (# of miles)		
Main type of Transportation (walk/bike/ bus/car)		
Advantages		
Disadvantages		
Questions You Have		

## Renting vs. Owning

Most people rent for several years after graduation. Some people rent for longer, or their whole lives, in places where property values are especially high. But someday you may think about owning a place of your own. Take a look at the benefits and drawbacks of renting and owning.

	ADVANTAGES	DISADVANTAGES
<b>Renting</b>	<ul style="list-style-type: none"> <li>• Not responsible for maintenance of building</li> <li>• Allows flexibility; you can move when your lease is up</li> </ul>	<ul style="list-style-type: none"> <li>• No control over rent increases with each new lease term</li> <li>• Could be evicted if building is sold or landlord decides to rent to someone else</li> <li>• No equity or tax benefits</li> </ul>
<b>Owning</b>	<ul style="list-style-type: none"> <li>• Sense of ownership and security</li> <li>• Monthly payments go towards owning the house, not into a landlord's pocket</li> <li>• Build equity in house (Over time, the house may be worth more than you owe, which means you'll get money back when you sell)</li> <li>• Tax advantages (You can deduct mortgage interest and real estate taxes and pay less income tax)</li> <li>• Freedom to renovate, decorate, and landscape</li> </ul>	<ul style="list-style-type: none"> <li>• Responsible for your all maintenance and repairs to property</li> <li>• Less flexibility; more difficult to move</li> <li>• Responsible for property taxes</li> <li>• Could lose house (and equity) if payments aren't made</li> </ul>

