

Dream Home Project Scenario

Imagine for a moment that you have just received word that you have inherited \$250,000 from a long-lost great aunt who has recently passed away. However, there is a stipulation in your great aunt's will. The money must be spent solely on the purchase and/or down payment of a dream home for you and any family you may have. Not only that, but you must also convince the executor of her will that the house you will be purchasing with this money truly is your dream home and that you have made a wise decision in selecting this particular property. In addition, you must be able to qualify for a home loan to cover any additional monies needed to purchase the home and afford the monthly mortgage and all other associated costs. Will a quarter of a million dollars be enough of a down payment to buy the home of your dreams and to allow you and any family you may have to live comfortably in it?

Your goal is to choose a house that has as many of the features your persona would value without exceeding the budget. But how much house can you really afford? Use a mortgage calculator to determine the maximum purchase price you can qualify for based on your annual household income (determined through a random drawing), plus the \$250,000 your aunt has given you as a down payment.

Once you have determined how high you can afford to go on the total purchase price of your dream home, go house hunting! Remember to search for a home that includes as many of the factors you are looking for in a dream home as possible while remaining in budget and staying within commuting distance of your job.

Don't be hasty--consider several before actually deciding which one to buy. Prepare a spreadsheet that includes 5-10 homes that you are considering. Include all of the factors that are important to you in a dream home, and show how each matches up as well as how it figures into your budget. Thoroughly analyze the spreadsheet and determine which one is truly the home of your dreams.

Once you have selected your new home, use a mortgage calculator to find out what your monthly payments would be over ten, fifteen, twenty, or thirty years, reflecting three different interest rates that are available at the time from lenders. Determine which payoff would work best for you, and then prepare a budget spreadsheet that includes your average monthly out-of-pocket expenses to own it. Include mortgage payment(s), homeowner insurance, property taxes, and any home owner association dues.

Once you have completed all of the calculations including the total payoff of your dream home, you will create a multimedia presentation to present the results to the class as if they were your great aunt's executor. Make sure to describe the home you chose and how it met your personal criteria for a "dream home." Describe other homes that you considered, and compare your choice with those homes you rejected. Use graphs and pictures to reinforce key points. Make sure to prove in your presentation how this property meets your dream home desires and fits in your budget. Remember you must convince "us" that you have chosen wisely if you want to receive the \$250,000.