

08-14 Session: Financial Literacy - Housing (Renting & Buying)

This session provided a comprehensive overview of financial literacy related to housing, covering both renting and buying, with an emphasis on real-world costs and considerations. The instructional approach combined interactive activities, direct lecture, and guided discussion to engage students with complex financial concepts.

Pedagogical Approach and Classroom Management

The session was designed to be "action-packed," integrating multiple learning activities. It began with a "Buying a House" bell-ringer activity, where students researched Fort Collins housing prices across different tiers (fancy, okay, cheap) and answered specific questions. This activity, accessible on islandtechnology.org, aimed to immediately engage students with real-world data. Time management was actively enforced with warnings to keep students focused.

Following the bell-ringer, the session transitioned into an interactive lecture format. The instructor used personal anecdotes and local market data (e.g., Fort Collins housing prices) to make abstract financial concepts tangible and relatable. Complex terms like "condominium" were clarified through analogies. Student participation was encouraged through questions and discussions, and classroom management included addressing noise levels and phone policies. Students were advised to take notes on key points.

Key Learning Outcomes: Renting a Home

The lecture provided a detailed overview of the practicalities and costs associated with renting:

- ****Types of Rentals:****Common options include apartments, townhouses, and single-family homes.
- ****Lease Agreements:****Discussed 12-month leases (stability, tenant rights) versus month-to-month leases (flexibility but instability due to short-notice termination by landlords).
- ****Landlord Types:****Noted differences between renting from individual landlords (potentially more direct communication) versus large property management companies (less responsive).
- ****Significant Upfront Costs:****Before moving in, tenants typically face:
 - Application and Credit Check Fees (approx. \$50 each).

- First Month's Rent.
- Last Month's Rent.
- Security Deposit (equivalent to one month's rent).
- *Example:* A \$1,000/month rental could require \$3,000 upfront.
- ****Security Deposit Protection:****Emphasized taking extensive photographs before moving in to document property condition and protect against unfair withholding of deposits. Landlords are legally required to provide reasons for withholding within 30 days.
- ****Pet Policies:****Most rentals have "no pet" policies; if allowed, additional non-refundable pet deposits (e.g., \$300) and/or monthly pet fees (e.g., \$40-\$100) apply.
- ****Other Potential Fees:****Property management firms may charge for parking permits, key access, or even cleaning fees.
- ****Ongoing Monthly Costs:****Primarily rent, utilities (water, sewer, electricity, internet, gas), and highly recommended renter's insurance (\$20-\$25/month) for personal belongings.
- ****Rent Increases:****Rental costs are expected to increase annually.

Key Learning Outcomes: Buying a Home

The session also explored the complexities and substantial costs of homeownership:

- ****Asset Ownership:****Buying a home means owning an appreciating asset, providing financial gain upon sale, unlike renting.
- ****Mortgage:****Most purchases require a 30-year bank loan.
- ****Substantial Upfront Costs:****Beyond the purchase price, significant initial outlay includes:
 - ****Earnest Money:****A deposit (e.g., 3% of purchase price) demonstrating intent. For a \$500,000 house, this is \$15,000.
 - ****Down Payment:****Typically 20% of the purchase price. For a \$500,000 house, this is \$100,000.
 - ****Closing Costs:****Fees for finalizing the transaction, often around 5% of the sale price (e.g., \$15,000 for a \$500,000 house).
 - ****Inspections and Appraisals:****Additional costs (a couple of thousand dollars).
 - *Total Example:* A \$500,000 house could require approximately \$170,000 in upfront cash.
- ****Market Realities:****A \$500,000 house in areas like Fort Collins is considered "decent," highlighting regional cost disparities. The average Fort Collins home price was cited as \$600,000, requiring an estimated \$168,000 upfront.
- ****Challenges for Future Generations:****High upfront costs and overall expenses pose significant financial challenges for younger generations.

Financial Literacy Fundamentals

A core principle discussed was that housing expenses should ideally constitute around 30% of monthly income, with a more conservative recommendation of 22% to prioritize savings and avoid being "house poor." The discussion contrasted renting (flexibility, reduced maintenance) with buying (asset building, customization), highlighting their respective downsides (lack of equity for renters; significant upfront costs, maintenance, market risks for buyers). Emphasis was placed on early saving and investing to accumulate wealth. Specific property-related costs detailed included property taxes, homeowner's insurance (mandated by lenders), and Homeowners Association (HOA) fees, which often impose strict rules. The widening gap between minimum wage and the cost of living for essential items like housing was also noted.

The "Life Budget Project": A Pedagogical Approach

A significant pedagogical initiative, the "Life Budget Project," was introduced as a practical exercise in financial literacy and budgeting.

- ****Objectives:****To familiarize students with budgeting, financial planning, and the realities of managing personal finances in a real-world context. It is framed as a "school project" to manage expectations.
- ****Scenario:****Students are placed in a simulated scenario as 23-year-olds starting their careers in AI-generated random cities and states with varying costs of living. Initial income figures are derived from student-provided career aspirations, adjusted by the instructor for realism.
- **Key Student Tasks:**
 - Review their assigned "personal finance life status" (job and income).
 - Conduct "zip code research" using a provided form and online tools to understand the economic and social environment of their assigned location (housing costs, job market, schools, roads).
 - Identify and select a suitable rental property within their new town, acknowledging that buying a home is generally not feasible at 23.
 - Problem-solve financial constraints, such as considering roommates if housing costs are prohibitive.
- ****Instructor's Guidance:****The instructor offers flexibility for students to research and negotiate salary adjustments based on real-world data if initial income is insufficient. The project utilizes Google Classroom, spreadsheets, and specific forms ("lifestyle form," "zip code research form," "renting a house in your new town" form).

Key Assignments and Research Focus

Beyond the "Life Budget Project," specific assignments reinforce research methodologies and data application:

- ****Zip Code Research Assignment:****Students are tasked with researching specific zip codes to determine the cost of living and analyze local demographics, including population characteristics, job markets, school information, and real estate costs. An immediate deadline was set for initial progress.
- *****"My Life My Choices" Activity Submission:****Students are required to submit the results of this activity, designed to encourage self-reflection on personal interests, values, and potential career paths.
- ****Application of Real-World Examples:****The discussion included examples like "Rookery Road" to illustrate how specific real estate data (e.g., a \$4.5 million house in Fort Collins) can be integrated into assignments, connecting abstract concepts to tangible scenarios.
- ****Community Demographics and Economic Indicators:****Observations were made regarding identifying "big cities" versus smaller towns and the prevalence of establishments like Dollar General stores in rural areas, underscoring the importance of understanding community characteristics.

Next Arrangements

Students are expected to complete the following:

- Complete the "Buying a House" bell-ringer activity on islandtechnology.org.
- Join the Google Classroom via the link on the website (fifth period).
- Take notes on key points during the lecture, particularly highlighted concepts.
- Prepare for discussion on the financial implications of buying versus renting, specifically regarding slide 15.
- Review personal finance life status (job and income) for the "Life Budget Project."
- Complete the zip code research form for their assigned location.
- Find a suitable rental house in their new town.
- Consider finding a roommate if housing costs are too high.
- Acquire a taste for IPAs (assigned homework).
- Acquire an assigned vehicle (Subaru, 4Runner, or Jeep) as part of a personality assignment.
- Fill out the five-year plan form (for new students or those who have not yet completed it).
- Complete initial progress on the zip code research assignment before the end of the current afternoon.
- Submit the results of the "My Life My Choices" activity before the end of the weekend.