

Activity 3: Is Grace Ready?

Instructions

Read the scenario. Determine the total funds, down payment, and closing costs that Grace will need to buy the house she wants. Use the amounts you calculate to answer the questions on the following page.

Grace

Grace's gross pay is \$4,100 a month. When she receives her paycheck, her pay is \$3,075. So far, she has saved \$4,200 for the down payment and closing costs on a house. Grace thinks that maybe she is ready to buy a house so she has decided to find out more about home ownership. Her state's Housing Finance Authority helped her find a program that helps first-time homebuyers with their down payment. The program matches the amount the buyer has saved to buy a house. Remember:

$$\text{Down payment} + \text{Closing Costs} = \text{Total amount needed upfront}$$

Grace's Funds		Purchase Cost	
Down payment Match	\$4,200	Cost of House	\$140,000
Savings	\$4,200	Down payment (3% of house cost)	\$ 4,200
		Closing Costs (5% of house cost)	\$ 7,000
Total funds available	\$ 8,400	Total funds to purchase	\$ 11,200

1. What is the amount of the down payment Grace will need?

Answer: \$4,200

2. What is the amount of the closing costs Grace will need?

Answer: \$7,000

3. Will Grace have enough money for the down payment and closing costs to buy her house?

Answer: No

4. If no, how much more does she need? If yes, how much is left over?

Answer: She needs \$2,800.