Smart Consumer Decision-Making

Module 7

Created By: NEBRASKA COUNCIL ON ECONOMIC EDUCA

Here are the key points we will cover in Module 7:

1. Decision-Making Model for Smart Spending
2. Using Consumer Resources
3. Know Your Consumer Rights
4. Mastering Comparison Shopping
5. Prices, Ads, and the Marketplace
6. Purchase vs. Lease vs. Rent

01

Decision-Making Model for Smart Spending

In this section, you'll learn about a simple decision-making model and then understand how the model can help you make satisfying purchases.

Key Aspects of Decision-Making Model

Framework

Provides a set of steps or guidelines to follow when making a decision.

Systematic Approach

Moves beyond gut feeling or intuition, offering a logical and structured way to analyze information and options.

Improved Outcomes

By following a model, decision-makers can increase the likelihood of making sound choices that lead to desired results

Versatility

Decision-making models can be applied to various situations, including personal choices, business decisions, & policy making

Clarity & Communication

Make the process clearer and more transparent, especially in teams, as they provide a shared understanding.

Common Steps in a Decision-Making Model

1

DEFINE
the problem or need

2

EXPLORE
your options

3

CHOOSE
the best solution

4

ACT
on your decision

5

REFLECT
on the outcome

Example : Buying a New Pair of Shoes

1

DEFINE:

My shoes are worn out

2

EXPLORE:

Research brands, styles, prices

3

CHOOSE:

Pick shoes with best value

4

ACT:

Purchase online or in store

5

REFLECT:

Are they comfortable, durable, and worth the price?

Thinking Prompt

What's the last purchase you *regret*? How could this model have helped?

02

Using Consumer Resources

Identify and use reliable consumer resources to collect information for making buying decisions about durable and nondurable goods.

Why Use Consumer Resources?

- Help you compare brands, prices, and quality before you buy
- Prevent impulse purchases or regret later
- Protect yourself from scams or misleading advertising
- Make sure you're getting the best value for your money

Types of Goods - Know What You're Buying

Nondurable Goods

- Used up quickly
- Lifespan is less than 3 years
- Lower initial cost
- Demand is more stable, even during economic downturns
- Examples:
  - Food, shampoo, school supplies, gas, clothes, cleaning supplies

Durable Goods

- Long-lasting
- Lifespan is typically 3+ years
- Higher initial cost
- Demand can be sensitive to economic conditions
- Requires more research - because they cost more and are meant to last!
- Examples: laptops, appliances, furniture, cars, jewelry,

Trusted Consumer Resources

Resource	What It Does	Best For
Consumer Reports	Unbiased reviews, ratings, reliability tests	Durable goods (cars, TVs)
Manufacturer Websites	Official specs, warranty info, user manuals	Product details
Retailer Sites (Amazon, Best Buy)	Customer reviews, Q&A, price comparisons	Price checking, feedback
Government Sites (FTC.gov, SaferProducts.gov)	Recall lists, safety warnings	Protecting your safety
YouTube Reviews	Demonstrations, real-user feedback	Seeing the product in action

Red Flags - Unreliable Info

- Fake reviews (too short, repetitive, all 5 stars)
- Biased blogs or influencers who are paid to promote products
- No return policy or poor customer service ratings
- Sites without HTTPS or secure checkout for purchases

Tip: Cross-check at least 2-3 sources before making a big purchase

Example - Buying Headphones

Scenario: You're comparing two sets of wireless headphones for $150. Which is the better value?

STEP 1:

Check consumer reports - look for sound quality, battery life, durability

STEP 2:

Compare user reviews on Amazon or Best buy

STEP 3:

Visit manufacturer websites for warranty and features

STEP 4:

Watch a YouTube review for real-world use

STEP 5:

Compare final prices, including shipping and return policy

Thinking Prompt

When you’re making a big purchase (like a phone or shoes), what sources do you trust most – and why? Have you ever made a purchase you later regretted because you didn’t do enough research?

Activity Option

Mini research project:

Choose a durable good (ex: backpack, headphones, bike, phone)

- Research using 3 different sources
- Compare prices, reviews, features, and warranty
- Decide which is the best value - and explain why in a short write up

03

Know Your Consumer Rights

In this section, you'll learn about what your rights are as a consumer and how to protect them.

What Are Consumer Rights?

- Consumer rights are protections that ensure you're treated fairly when buying goods or services
- These rights help prevent fraud, ensure safety, and promote informed decision-making
- The **4 Basic Consumer Rights** (from President JFK's Consumer Bill of Rights, 1962)
  - *Right to Safety* – Products should not harm you
  - *Right to Be Informed* – You deserve truthful info (labels, ads, terms)
  - *Right to Choose* – Access to a variety of products at competitive prices
  - *Right to Be Heard* - You can complain and expect action if treated unfairly

Key Consumer Protection Laws

Law	What It Does
Consumer Product Safety Act	Ensures dangerous products are recalled or corrected
Federal Trade Commission Act (FTC)	Bans unfair/deceptive ads and sales practices
Magnuson-Moss Warranty Act	Sets rules for written warranties on products
Truth in Lending Act	Requires clear disclosure of loan terms (interest rates, fees)
Fair Credit Reporting Act	Protects your credit information and gives access to credit reports
Fair Debt Collection Practices Act	Prevents harassment by debt collectors

Real-Life Examples

Scenario	Right/Law That Protects You
You buy a new phone charger that catches fire	Right to Safety / Product Safety Act
You were misled by a "free trial" that charged you	FTC Act / Right to Be Informed
A company won't honor a product warranty	Magnuson-Moss Warranty Act
A debt collector calls at midnight threatening you	Fair Debt Collection Practices Act

What Should You Do if Your Rights Are Violated?

- Document everything (receipts, emails, screenshots)
- Contact the seller or company directly first then move to an advocacy option below
- File a complaint with:
  - Better Business Bureau (BBB.org): best to use when you can't resolve a product/service problem with the company
  - Federal Trade Commission (reportfraud.ftc.gov): best to use for fake "free trials", data breaches, student-loan scams
  - Consumer Financial Protection Bureau (consumerfinance.gov) : best to use for credit-card billing error, predatory loan, aggressive debt collection
  - State Attorney General's Office (https://ago.nebraska.gov/consumer-protection): best to use for state-level scams, price-gouging, false advertising

Protection of Consumer Rights

The FTC's Bureau of Consumer Protection stops unfair, deceptive and fraudulent business practices by collecting reports from consumers and conducting investigations, suing companies and people that break the law, developing rules to maintain a fair marketplace, and educating consumers and businesses about their rights and responsibilities. If you want to explore more, visit their **website**.

Activity Option

Consumer Rights Matching Game:

- Create cards with laws, rights, and scenarios
- Have students match scenarios to the correct law or protection

04

Mastering Comparison Shopping

Develop comparison shopping practices and apply them to purchasing decisions.

Thinking Prompt

When you’re about to buy something, which do you usually do first?

1. Buy it right away - if I want it, I get it
2. Check one or two options before deciding
3. Compare several stores or websites to find the best deal
4. Wait and think about whether I really need it

What is Comparison Shopping?

It means you check prices, features, quality, and reviews across different sellers before buying.

Goal: Find the best value for your money, not just the lowest price.

On the following slide, options will be discussed.

Where Can You Comparison Shop?

- Online: Amazon, Google Shopping, Walmart, Best Buy
- In-Store: Bring your phone to compare prices instantly
- Apps: ShopSavvy, Honey, Rakuten for deals and cashback
- Review Sites: Consumer Reports, Wirecutter, YouTube reviewers

Watch out for fake reviews! Check multiple sources!

Buying Wireless Headphones:
Which would you chose and why?

Feature	Brand A	Brand B	Brand C
Price	$149	$89	$99
Battery Life	8 hours	6 hours	10 hours
Warranty	1 year	90 days	6 months
Reviews (out of 5)	⭐⭐⭐⭐	⭐⭐⭐	⭐⭐⭐⭐½
Return Policy	30 days	No returns	14 days

Factors That Play a Role in Consumer Experiences

It’s also important to be aware of other factors that play a role in our consumer experiences. Choose one of the videos below to watch and learn from.

- **The Truth About Online Shopping**
- **Subscriptions Everywhere! Clean Up Forgotten Monthly Fees**
- **How to Avoid Hidden Fees!**
- **The Rising Popularity of the “Buy Nothing Project”**
- **Omnichannel Shopping in 2030**

Unit Price - The Grocery Store Secret Weapon

- Unit Price = price per ounce, pound, etc.
- Helps you compare different package sizes fairly
- Example:
  - 20 oz jar of peanut butter for $4.00 = $0.20/oz
  - 40 oz jar for $6.80 = $0.17/oz (better value)

The larger size isn't always the better deal so do the math!

Tips for Smarter Shopping

- Don't shop when you're emotional, tired, or hungry!
- Use a shopping list to stay focused
  - Consider grocery pick up orders so you're not tempted to buy things not on the list
- Watch for "fake deals" - compare to regular price
- Always ask: is this a need or a want?

Activity Option

Comparison Shopping Challenge

- Choose a product (ex: water bottle, hoodie, headphones, backpack) and research:
  - 3 versions from different brands or stores
  - Compare at least 4 features
  - Decide which one is the best deal - and explain why

05

Prices, Ads, and the Marketplace

Take a look at the impact of advertising and marketing on consumer demand and decision making.

Supply and Demand 101

- Supply = how much of a product is available
- Demand = how much people want it

Situation:	**Result:**
High demand + low supply	Prices go up
Low demand + high supply	Prices go down
Balanced supply and demand	Stable prices

- Levels of the marketplace =
  - Local - school supplies during back-to-school season
  - National - gas prices affected by domestic oil production
  - International - electronics affected by overseas chip shortages

Real-World Example = PS5 Launch

- During release: high demand, low supply >> resellers sold consoles for double the price
- Global chip shortage affected production = fewer units available worldwide
- Prices stabilized only after supply increased

Toyota, Built for a Better World

This resource is from NGPF's Lesson Advertisements & Dark Patterns

As a consumer, you see advertisements all the time. Take a look at this car commercial and answer the following questions about what the advertisers want consumers to think.

This commercial attempts to generalize all drivers of this car. Do you agree with these generalizations? Explain.

Why do you think advertisers want you to feel this way when watching the commercial?

The 6 Ways of Influence

This resource is from NGPF's Lesson Advertisements & Dark Patterns

We all know that advertisements and "exclusive" offers - whether they are on TV, your phone, etc. - are trying to convince you to do something. Sometimes, it's easy to notice how they're trying to influence you. However, many advertisement cleverly use tactics that you may not even be aware of! Read about the 6 ways of influence presented in the article linked to the left starting at 6 and ending after 6.

Trick your mind to help you save money instead of letting others trick you!

Thinking Prompt

Which advertisement “trick” would be most likely to influence you, and how could you avoid falling for it?

How Social Media Influences Consumers

- Targeted Ads - platforms track what you like, search, or watch, then show you products that match your interests
- Influencers - people you follow promote products, making them seem trustworthy or trendy
- Peer Pressure - Seeing friends post new clothes, gadgets, or trips can push you to spend to “keep up”
- FOMO - Limited-time deals, ,trending items, or viral products make you feel like you’ll miss out if you don’t buy
- Personalized Shopping - social apps let you shop directly without leaving the platform, making it easier to spend quickly

Influencing the Influencers

This resource is from NGPF's Lesson Your Money & Social Media

While influencers can recommend products you think you need, it's important to think critically about what influencers post. Watch the video to the left which may leave you questioning how seriously you want to take an influencer's post the next time you see it on social media.

Has this video impacted your perception of influencers' authenticity on social media?

Activity Option

Mini Ad Analysis Activity:

- Have students choose an online ad or commercial and answer the following questions:
    - What product is being sold?
    - Which advertising tactic(s) are used?
    - Does the ad appeal to emotion, logic, or credibility?
    - Would you buy it? Why or why not?

How Dark Patterns Trick You Online

This resource is from NGPF's Lesson Advertisements & Dark Patterns

Sometimes the tactics companies use are downright malicious. Unfortunately, while these structures and behaviors can create a negative consumer experience, they aren't necessarily illegal. Many of these repeated patterns have been studied and categorized as "dark patterns." Watch the video to the left to learn how to spot one.

Thinking Prompt

What are 3 examples of dark patterns from the video?

What do you think are some of the costs to consumers as a result of being exposed to these dark pattern practices?

Do you think dark patterns should be illegal? Why or why not?

Activity Option

NGPF MOVE: Identifying Dark Patterns

Being able to recognize different types of dark patterns is the first step in avoiding their tricks. In this activity, you'll put your knowledge of different types of dark patterns to the test.

06

Purchase vs. Lease vs. Rent

In this section, you'll learn about the costs and benefits of purchasing, leasing, and renting vehicles and housing.

Thinking Prompt

As of July 2025, what do you think is the average price of a new car?

- $37,520
- $48,907
- $59,641

Thinking Prompt

As of July 2025, it was $48,907

(increasing by $6,220 just from a couple of years ago!!)

Source: Kelley Blue Book

Should you Borrow Money

Buy a car or invest? Would should you do?

Many financial experts suggest paying cash for a car if it is affordable to do so. Watch this short **EdPuzzle** entitled “How Cars Keep You Poor” and take the quiz within to test your comprehension of what they’re saying.

This resource is inspired by NGPF’s Mini-Unit Lesson Costs of Owning a Car

Thinking Prompt

PREDICT: In 2024, what do you think the total outstanding auto loan debt was in the United States?

- Between $250 billion and $500 billion
- Between $500 billion and $1 trillion
- Between $1 trillion and $1.5 trillion
- Over $1.5 trillion

Answer: Over $1.5 Trillion!

Total Auto Debt Climbs by 1.5% to $1.53 Trillion

U.S. drivers owed $1.53 trillion on cars, motorcycles and other personal vehicles as of Q3 2024, according to Experian data, an increase of around $20 billion, or 1.5%, over the Q3 2023 balance.

Total Auto Loan Debt		
2023	**2024**	**Change**
$1.51T	$1.53T	+1.5%

Source: Experian data from Q3 of each year

Thinking Prompt

PREDICT: In 2024, what do you think the average total auto loan balance in the United States was for those ages 18-27?

- Around $10,000
- Around $14,000
- Around $18,000
- Around $20,000

Answer: Around $20,000 (it was only $17,000 back in 2021!)

Average Auto Loan Debt by Generation			
Generation	**2023**	**2024**	**Change**
Generation Z (18 - 27)	$20,305	$20,657	+1.7%
Millennials (28 - 43)	$24,207	$24,942	+2.2%
Generation X (44 - 59)	$27,098	$27,602	+1.9%
Baby boomers (60 - 78)	$21,609	$22,190	+2.7%
Silent Generation (79+)	$16,054	$16,751	+4.3%

Source: Experian data from Q3 of each year; ages as of 2024

Thinking Prompt

PREDICT: Arranging individual auto loan debt by credit score range, which credit score range carries the highest auto loan debt?

- 300-579 (Very Poor)
- 580-669 (Fair)
- 670-739 (Good)
- 740-799 (Very Good)
- 800-850 (Exceptional)

Answer: 670-739 (Good Credit)

Average Auto Loan Balance by FICO® Score Range

Score Range	2023	2024	Change
Poor (300 - 579)	$21,166	$21,783	+2.9%
Fair (580 - 669)	$24,525	$24,815	+1.2%
Good (670 - 739)	$25,936	$26,441	+1.9%
Very Good (740 - 799)	$24,212	$24,830	+2.5%
Exceptional (800 - 850)	$21,799	$22,533	+3.4%

Source: Experian data from Q3 of each year

Types of Auto Loans

To purchase a new vehicle, you must be aware about the lending options available. Understanding the main concepts can help you to decide which type of loan is better for you. Read the infographic linked to the left to learn more about the 2 types of auto loans and their advantages.

Total Personal Loan Debt by Type

Personal Loan Type	2023	2024	Change
Unsecured	$194.6B	$192.9B	-0.9%
Secured	$379.1B	$362.3B	-4.5%
Total	$573.7B	$555.2B	-3.2%

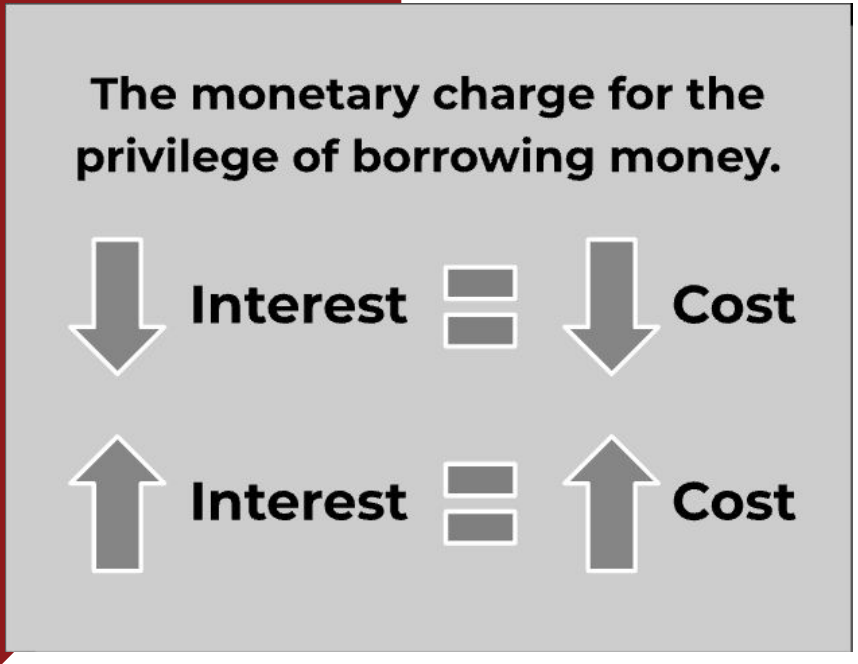
Source: Experian data from Q3 of each year

Interest Rates and APR

Do you know the difference?

The next four slides are illustrations, videos, and a check for understanding over interest rates and the annual percentage rate (APR).

First up will be a video on defining interest rates. Look at the image to the right to get a better visual.



Understanding Interest Rates

Your auto loan interest rate will have an impact on how much money you end up paying for your car at the end of your loan term. The rate you receive is highly dependent on the health of your credit score. The higher your credit score, the lower your interest rate will be.

Annual Percentage Rate (APR) Defined

The annual rate charged for borrowing.

- Must be disclosed to borrower
- Lenders can choose what charges are included in their rate calculation (not all fees included)
- The APR does not take compounding into account

$$\text{APR} = \left(\left(\frac{\frac{\text{Fees}+\text{Interest}}{\text{Principal}}}{n}\right) \times 365\right) \times 100$$

where:

$\text{Interest} = \text{Total interest paid over life of the loan}$

$\text{Principal} = \text{Loan amount}$

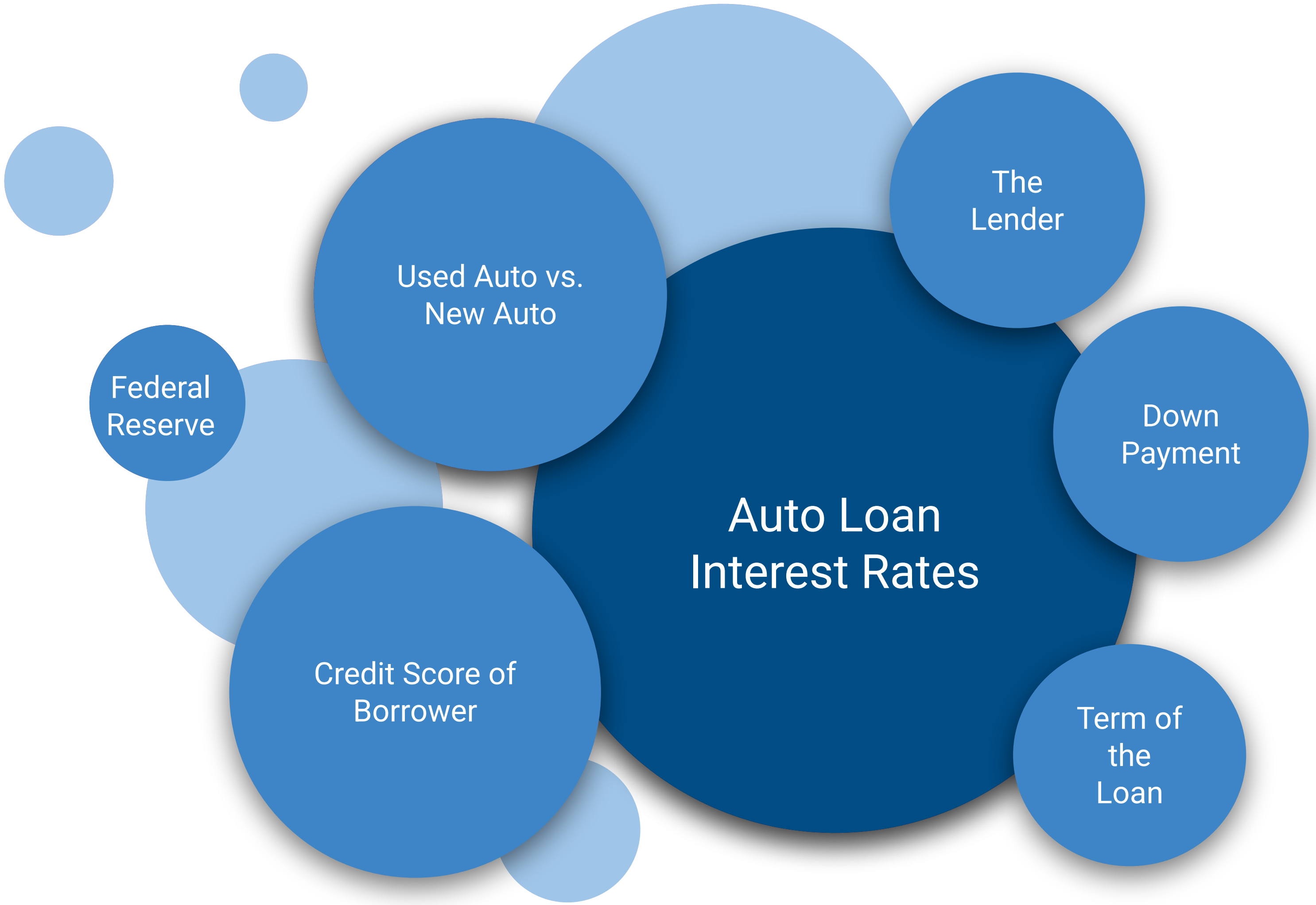
$n = \text{Number of days in loan term}$

The Difference Between Interest Rates & APR

Now that you know more about interest rates and annual percentage rates, you know need to have a clear understanding of the difference between the two.

APR gives you the bigger picture of what a loan or credit card really costs.

Variables that Affect Interest Rates on Vehicle Loans



Term of the Loan

The longer the loan, the more interest you'll pay overall.

Lenders and car dealers often highlight the monthly payment to make the deal look affordable.

Don't be fooled! A smaller monthly payment doesn't mean the loan is cheaper.

Watch the video to the left to learn more.

How Interest Rates Work on Car Loans

Before you sign anything, it's important to know how interest rates work on these loans. Getting an auto loan for a longer term with lower interest rates may keep the monthly bill below a budget-busting level, but is it a good deal for you?

To answer that question, you need to understand how interest rates on car loans work.

3 Factors to Know About Interest on Car Loans

1) Auto loan interest rates change daily and vary widely. Consider getting pre-approval before shopping for a car.

2) Auto loans include simple interest costs—not compound interest. This is good. The borrower agrees to pay the money back, plus a flat percentage of the amount borrowed.

3) Auto loans are amortized. The interest owed is front-loaded in the early payments.

Examples of How A Car Loan Works

On the following slide are examples to show how the real cost of a car is determined by the car loan you choose. In every case, the car, the down payment, and the amount to be financed are the same.

You can use this calculator to determine examples of your own!

Why Interest Rates Matter

Original Car Price: $25,031
Down Payment of 10%: $2,503
Amount Financed After Down Payment: $22,528
Assuming Good Credit Score: 780

Interest Rate 4%
Loan Term: 5 years
Monthly payment $414.89
Interest paid: $2365.24
Total financed: $24,893.24
Total Cost of Car including down payment: $27,396.24

Interest Rate 4%
Loan Term: 8 years
Monthly payment $274.60
Interest paid: $3603.76
Total financed: $26,131.76
Total Cost of Car including down payment: $28,634.76

Interest Rate 6%
Loan Term: 5 years
Monthly payment $435.53
Interest paid: $3833.60
Total financed: $26,361.60
Total Cost of Car including down payment: $28,864.60

Interest Rate 6%
Loan Term: 8 years
Monthly payment $296.05
Interest paid: $5,892.81
Total financed: $28,420.81
Total Cost of Car including down payment: $30,923.81

SHOULD YOU LEASE OR BUY A CAR?

Lease vs. Buying Options

How do you know what the right choice is for you? Watch the video to the left.

What do you believe is best for you personally after watching the video?

Benefit Takeaways

Potential benefits of leasing a car	Potential benefits of buying a car
• Lower down payment • Lower monthly payments available • Repairs typically covered by warranty (including the purchase of new tires) • No selling involved • Possible option of new car every few years	• Eventual ownership • Modify car without fear of breaking contract • No mileage limits • Sell car any time after it’s paid off

USED VS. NEW CARS

New cars are flashy, but what about that monthly payment?

Thinking Prompt

Imagine, you just bought a brand new car for $30,000.

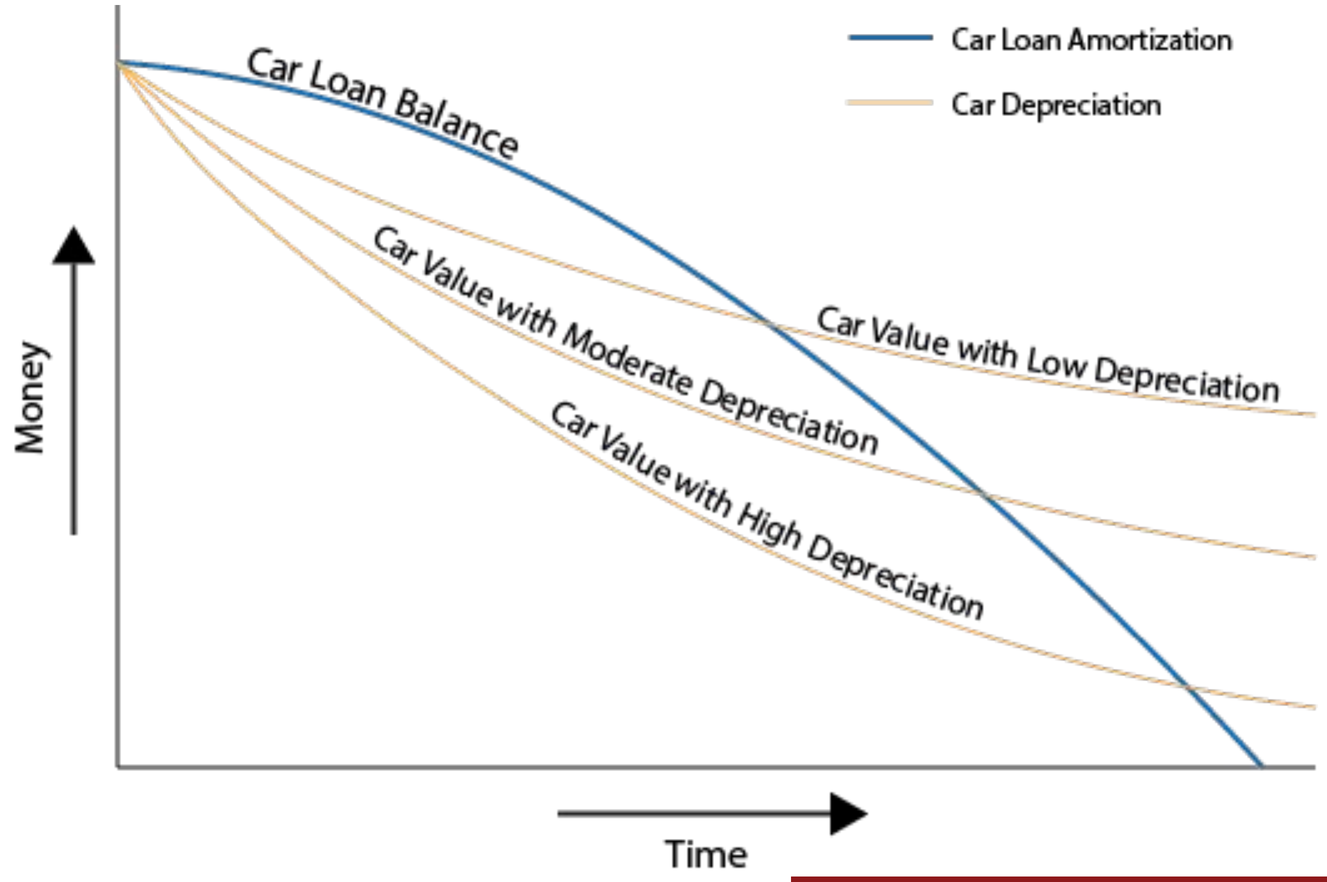
After you drive it off the lot, it instantly loses value. By the end of the first year, it may only be worth $24,000.

Would you still want to buy a brand new car knowing it loses thousands of dollars in value so quickly? Why or why not?

Thinking Prompt

Are there situations in which a car owner can sell an automobile to pay off a vehicle loan and still owe additional money to the lender?

The Cost of Depreciation



Negative Equity

As of 2024, about 24.2% of vehicles traded in toward new purchases carry negative equity. This reflects a steady rise compared to previous quarters, such as 23.9% in Q2 2024 and 18.5% in Q3 2023. While this level of negative equity is still below the record high of 31.9% in early 2021, the average amount owed has reached an all-time high of $6,458. A concerning trend is that 22% of vehicle owners with negative equity owe more than $10,000, and 7.5% owe over $15,000 on their loans.

Negative Equity

<u>Edmunds Q3 Negative Equity Data</u>

Year	Share of New Vehicles Purchased with a Trade-in	Share of Trade-ins with Negative Equity	Average Amount of Negative Equity	Average Trade-in Age (Years)
2024	43.2%	24.2%	$6,458	3.6
2023	44.4%	18.5%	$5,808	3.2
2022	45.2%	15.5%	$4,894	2.9
2021	48.6%	19.4%	$4,200	3.2
2020	48.3%	31.6%	$4,964	3.5
2019	45.9%	34%	$5,251	3.6

So Should You Buy a New Car or a Used Car?

New Car:

- Latest features & technology
- Full warranty protection
- Higher price
- Loses value (depreciates) quickly

Used Car:

- Lower price
- Slower depreciation
- May have higher maintenance or repair costs
- Shorter or no warranty

Keep in mind: Neither choice is “right” for everyone → it depends on your budget, needs, and priorities

2025 Car Buying Trends

Trend	Details	Why It Matters
EV & Hybrid Popularity	• EV sales up 24% globally (esp. Europe, China) • Hybrid demand rising fast	More eco-conscious options, but charging access and range still matter
High Prices & Financing	• Average new car: $49,000 • Used (3 years old): $30,000+ • Loans up to 96 months	Budget carefully - extended loans can cost more in the long run
Compact & Electric SUVs	• Top-selling category: small EV SUVs • 300-500 km range common	Combines practicality with fuel savings and tech features
Tech-Driven Buying Process	• AI tools influencing prices & offers • Buyers expect smart tech in cars	Online shopping and digital comparisons are most important than ever
Regional Policy Shifts	• EV subsidies ending in U.S. > sales peak then drop • Global EV adoption varies by region	Consider timing and incentives specific to the state or region

Activity Option

RESEARCH: Monthly Costs of Car Ownership

It's time to do some research on a car that you might be interested in purchasing. Follow the directions on the worksheet to complete the activity.

SHOULD YOU RENT OR BUY A HOUSE

Deciding Where to Live

Choosing where to live means balancing your wants with your budget. Key factors to consider:

- Cost of Living - Can you afford rent/mortgage, taxes, and utilities?
- Job Market - Are there good jobs (or remote work options)?
- Desirability & Happiness - Do you like the lifestyle, weather, and amenities?
- Crime & Safety - Is the neighborhood safe?
- Education - Are good schools nearby (if needed)?
- Commute & Convenience - How close are work, stores, gyms, and friends?
- Health Care - Are doctors and hospitals accessible and reliable?

This resource is inspired by NGPF's Lesson Budgeting for Housing

Want to Rent? Here's What You Should Know

When you pay rent, you pay more than just monthly rent. Be ready for extra costs and always ask what's included before signing a lease!

- Security Deposit - Refundable if you take care of the place
- Pet Deposit / Pet Rent - extra cost if you have pets
- Utilities - May or may not be included (electric, gas, water, Internet)
- Application Fee - paid when you apply (covers background/credit check)
- Move-in / Administrative Fees - one-time charges from landlord or property manager
- Parking Fees - if parking isn't included

This resource is inspired by NGPF's Lesson Budgeting for Housing

Thinking Prompts

- On average, how much is a typical security deposit owed when you sign a new lease?
- If you have a pet in your place, you may be asked to pay extra when you sign your lease agreement. What's the difference between a pet fee, pet deposit, and pet rent?
- What is the purpose of an application deposit and how does it benefit both the applicant and the owner of the rental property?

These questions are inspired by NGPF's Lesson Budgeting for Housing

Want to Buy? Here's What You Should Know

Buying a home is more than just affording the monthly payment… it's a long-term financial and lifestyle commitment. Think about the following on the next slides:

Affordability:

- Can you afford the down payment (often 3-20%) and closing costs?
- Monthly mortgage, property taxes, and insurance must fit your budget.

Credit Score & Loan Approval:

- Lenders check your credit history to decide loan approval and interest rate
- Better credit = lower interest = thousands saved over time

This resource is inspired by NGPF's Lesson Budgeting for Housing

Want to Buy? Here's What You Should Know

Ongoing Costs:

- Unlike renting, you pay for repairs, maintenance, and utilities
- Be ready for unexpected expenses (roof, plumbing, appliances)

Location & Lifestyle:

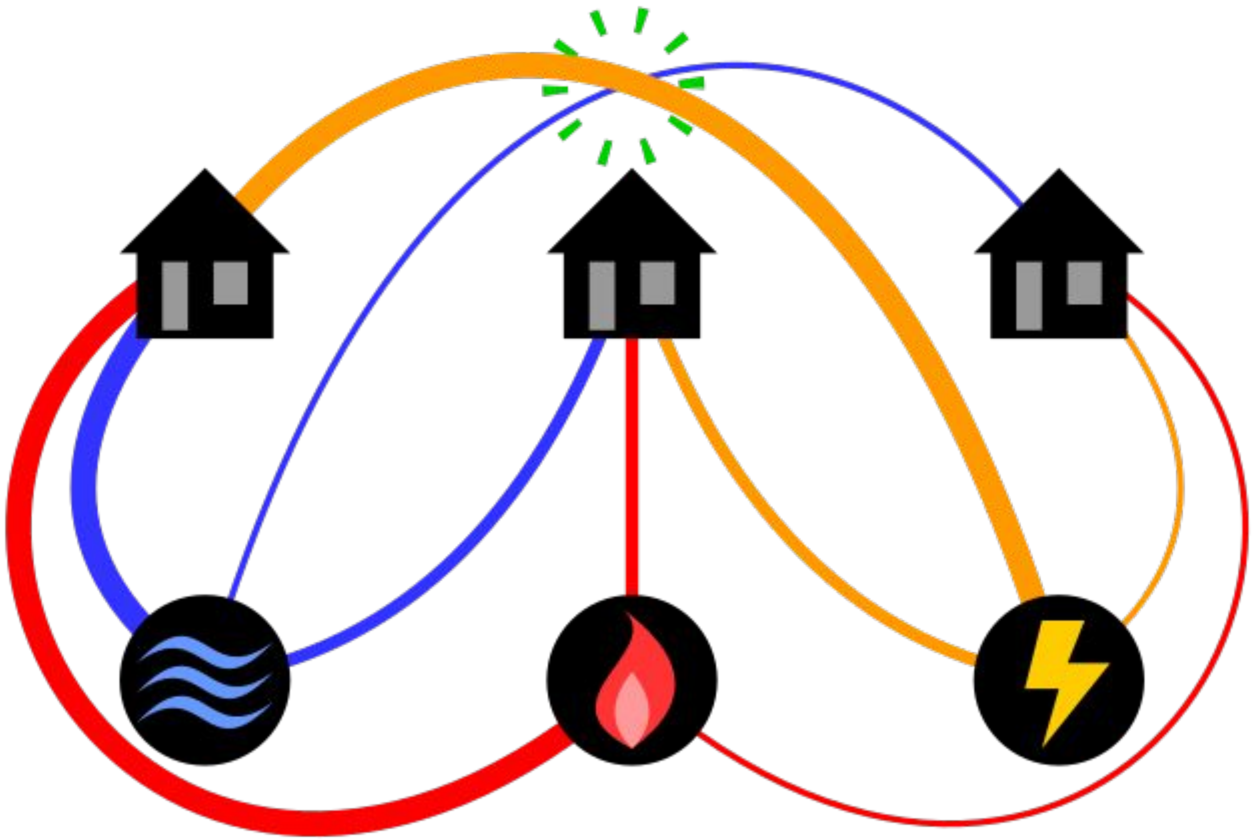
- Think about commute, neighborhood safety, schools, and amenities
- Will you want to stay in this area for 5-10 years?

Investment & Equity:

- Monthly payments build equity (ownership value)
- Home values can rise (or fall) over time - it's both a home and a financial investment

This resource is inspired by NGPF's Lesson Budgeting for Housing

Here's How to Estimate Your Utility Costs



This resource is from NGPF's Lesson Budgeting for Housing

An often overlooked home budget expense comes in the form of utilities: electricity, cable, gas, water, and garbage/recycling. While the use of these items can vary month to month, it's important to have a good ballpark estimate of how much you might owe each month on these items. Read the article linked to the left.

How much more is the average cost of utilities for a home compared to an apartment? Which bill usually accounts for the largest part of your monthly utility bill?

Activity Option

PROJECT: Budgeting with Roommates

As you've seen, there are many different costs associated with owning a home or renting an apartment. You can reduce some of these expenses by having one or more roommates. Follow the direction on the worksheet to complete this activity.

This activity is from NGPF's Lesson Budgeting for Housing

Common Mortgage Types

Your financial history and geographic location will affect the type of loan you may be able to get, so make sure to shop around and talk to experts in your area!

Review this link if you would like to learn about the 5 major types of loans.

On the next slide, we'll discuss the conventional loan, a common type you'll see.

Conventional Loan

Pros:

- Overall borrowing costs tend to be lower than other types, even if interest rates are slightly higher
- Can cancel private mortgage insurance (PMI) after 20% equity
- Can pay as little as 3% down
- Seller can contribute to closing costs

Cons:

- Minimum credit score of 620
- Higher down payment than some govt. Loans
- Must have debt-to-income ratio lower than 43%
- Likely will have to pay PMI if down payment is less than 20%

How Mortgage Interest Rates Make A Difference

Just how much does a 1% difference in interest savings stand to save you on a 30-year mortgage?

A single percentage point increase in mortgage rate may seem like it would produce only a small increase in your monthly payment, but remember, over time, this increase can add up to a small fortune.

It pays to lock in the lowest possible mortgage rate. That's because a lower mortgage interest rate directly translates into smaller mortgage payments (and greater savings) each month.

30-Year Fixed Rate Example

Taylor, a 30-year-old who is a first-time home buyer, wishes to obtain a 30-year fixed FHA loan on a new home with a 20% down payment. Below, you can get a sense of just how much Taylor stands to save given a 1% difference in interest savings on her 30-year mortgage.

Home Price: $200,000 Down Payment: $40,000 Financing $160,000

Click calculator to learn more and check additional interest rates

30-Year Fixed Mortgage Interest Rate	Monthly Payment includes: Principal, interest, taxes, MIP, insurance	Total Paid after 30 years
3.99%	$1,086	$409,540
4.99%	$1,181	$443,740
5.99%	$1,282	$479,851
6.99%	$1,387	$517,709

15-Year Fixed Rate Example

Again, going with the example of Taylor's home purchase on the previous slide (30-year fixed FHA home mortgage, 20% down payment), you can get a sense of just how much a 1% difference in interest makes.

Same Home Price: $200,000   Same Down Payment: $40,000

Same Amount Financed $160,000

15-Year Fixed Mortgage Interest Rate	Monthly Payment includes: Principal, interest, taxes, MIP, insurance	Total Paid after 15 years
3.99%	$1,493	$307,007
4.99%	$1,574	$321,720
5.99%	$1,659	$336,996
6.99%	$1,747	$352,822

Click calculator to learn more and check additional interest rates

What does it mean to refinance a mortgage?

A refinance, or “refi” for short, refers to the process of revising and replacing the terms of an existing credit agreement.

You may choose to do this when the interest-rate environment changes substantially – which could lead to savings on debt payments.

There are some pros and cons to consider which will be discussed on the next slide.

The Pros and Cons of Refinancing

PROS

- You can get a lower monthly mortgage payment and interest rate.
- You can convert an adjustable interest rate to a fixed interest rate, gaining predictability and possible savings.
- You can acquire an influx of cash for a pressing financial need.
- You can set a shorter loan term, allowing you to save money on the total interest paid.

CONS

- If your loan term is reset to its original length, your total interest payment over the life of the loan may outweigh what you save at the lower rate.
- If interest rates drop, you won't get the benefit with a fixed-rate mortgage unless you refinance again.
- You may reduce the equity you hold in your home.
- Your monthly payment increases with a shorter loan term, and you have to pay closing costs on the refinance.

How to Save for a Down Payment

Multiple people will recommend different options for you, but it truly depends on the loan you settle with and your personal conditions for buying.

20% down is the best option if you can do it, but we recognize that won't be possible for everyone.

Read the article linked to the left to learn more about saving for a down payment. Interact with the calculations as needed.

Steps to Buying a Home

1. Build Good Credit

Pay bills on time, keep debt low → strong credit score = better loan rates

2. Save for Down Payment

Most lenders require 3-20% of the home's price up front

3. Get Loan Pre-Approval

Shows how much you can borrow and helps you shop realistically

4. Find the Right House

Consider location, price, size, and lifestyle needs

5. Make Offer & Inspect

Negotiate price; complete inspection checks for hidden problems

6. Closing

Final paperwork, pay closing costs, and get the keys!

Activity Option

This is an activity to wrap up the big purchases this module covered: a car and home in the LIFE happens. You will be assigned a number by your instructor. From there, you'll be required to use a cost calculator to see what you can afford depending on the terms you were provided. From there, you will need to research an actual car and home and share what you found.

END OF MODULE 7