

# Should You Buy a House?

**SUBMITTED BY:** WGYP Summer 2011 Instructor

**SUBJECT(S):** Personal Finance

**GRADE LEVEL(S):** 9, 10, 11, 12

## ≡ OVERVIEW:

In this lesson, students consider the financial responsibilities and emotional investments of buying a house. Although the housing market has taken a hit since 2008, owning a house is still a big part of the American dream. In this lesson, the students explore these ideas and think about buying a house by merging the rational decision-making model and the consumer decision-making model. Since a house is not just a purchase but a lifestyle change, students can think about major purchases from this perspective.

## ≡ NBEA STANDARD(S):

- Personal Finance, I. Personal Decision Making
- Personal Finance, V. Buying Goods and Services

## Common Core Standard(s):

- Reading Informational Text — RI.9-10.1.; RI.9-10.2.
- Speaking and Listening — SL.9-10.1.

## Purpose:

- For this lesson, students will use the steps of the personal decision-making model.
- Students will learn about the housing market and the debate about buying a home in today's economy.

**Knowledge@Wharton Article:**

“So You Think Owning a Home Will Make You Happy? Don’t Be Too Sure”

**Other Resources/Materials:**

Rational Decision-Making Process Worksheet

**Activity:***1. Introduction (2-4 mins)*

Ask students how many want to buy a home by the time they are 25? 30? 40? Once you see hands starting to come up, ask them why? What are the reasons they have heard it’s good/important to own a home? How is happiness connected to homeownership? You can ask one student to get up and list a few reasons on the board.

*2. Reading Activity (10 mins)*

Ask students to read the Knowledge@Wharton article on owning a home (at least the first two pages).

*3. Small Group Discussion (10 mins)*

Ask students to form small reading groups and discuss the article. Ask them to list 3 important takeaways from the article. Ask them to also think about the research methods the author used to support her arguments.

**Suggested takeaways:**

- A homeowner herself since 2005, Bucchianeri says, “I know there are aspects of homeownership that are not so enjoyable. My thought is homeownership might not be financially — or emotionally — for everyone.”
- The research also tends to rebut theories that homeowners are happier because they enjoy greater self-esteem and a greater sense of control in their lives.
- Bucchianeri cautions that her research should not be used as an argument against homeownership, just as the abstract notion of the American Dream should not be used as an across-the-board endorsement for buying a home.
- What are the subjective and objective measures used in the study?

After they have finished, spend the last 2-3 minutes going over their takeaways together.

#### 4. Rational Decision-Making Process Handout (15 mins)

The next activity requires students to work through the rational decision-making process to see how they can arrive at the decision about buying a house. While they consider the questions which they think may be relevant to buying a house, they should also keep the alternatives in mind, like renting a home, and consider the points raised in the Knowledge@Wharton article about happiness in buying versus renting.

For this exercise, they should work through the handout as a class and come up with different strategies or questions to address each step. If they have worked through about 3-4 steps and seem to be doing well, the teacher can have them work in groups for the rest of it. If not, keep working together as a class.

## Step Rational Decision-Making

- 1 Identifying a problem or opportunity – Asking oneself whether or not a problem exists.
- 2 Gathering information – What are the key elements that need to be looked at with regards to the problem and/or the possible solution(s).
- 3 Analyzing the situation – What courses of action are feasible? What are the possible ways of assessing the data and information available?
- 4 Developing options – Developing different solutions; staying creative and positive.
- 5 Evaluating alternatives – What criteria is going to be used in order to analyze the different options? Compare and contrast the pros and cons related to each option.
- 6 Selecting a preferred alternative – What are the risks associated with the preferred alternative? What are some possible future consequences?
- 7 Acting on the decision – Present the decision and discuss the various resources needed to fulfill the option chosen.

Examples:

- For the first step on identifying needs, students can think about how big is the family? How long do they plan to live in that area? Do they “need” to buy a house here? Now? Why or why not? Are there good schools there? A safe neighborhood? Public transportation?

- For step two, have they done enough research on homes and their costs? Do they plan to go through an agent or deal with the seller directly? How do they know which agent to trust? What are the benefits of dealing directly with the seller? What other kinds of information would be important? What are the property taxes in the state?
- The students should think about the process of buying a house and getting a mortgage from a bank. Typically, the buyer needs to make a 20% down payment and decide on what kind of mortgage loan he/she wants. Students may not know some of these questions and issues yet, but they should start thinking about the responsibilities that come with owning a home.

### 5. Closing (5 mins)

Wrap up the lesson by bringing together the themes from the article about the myths surrounding home ownership and the questions they came up with in the second activity. What did they find most useful about looking at home-owning and the associated emotional stresses from the two approaches?

### **Tying it All Together:**

This lesson introduces the students to the process of buying a home. It is a major purchase and historically considered an intrinsic part of the American dream. The Knowledge@Wharton article selected for this lesson enables students to think about the more emotional and psychological investments one commits to when making a major financial investment. The discussion for the handout should focus on this theme.

### **Practice Outside of the Classroom:**

Students can talk to their parents and family about the emotional and mental commitments involved in buying a house.