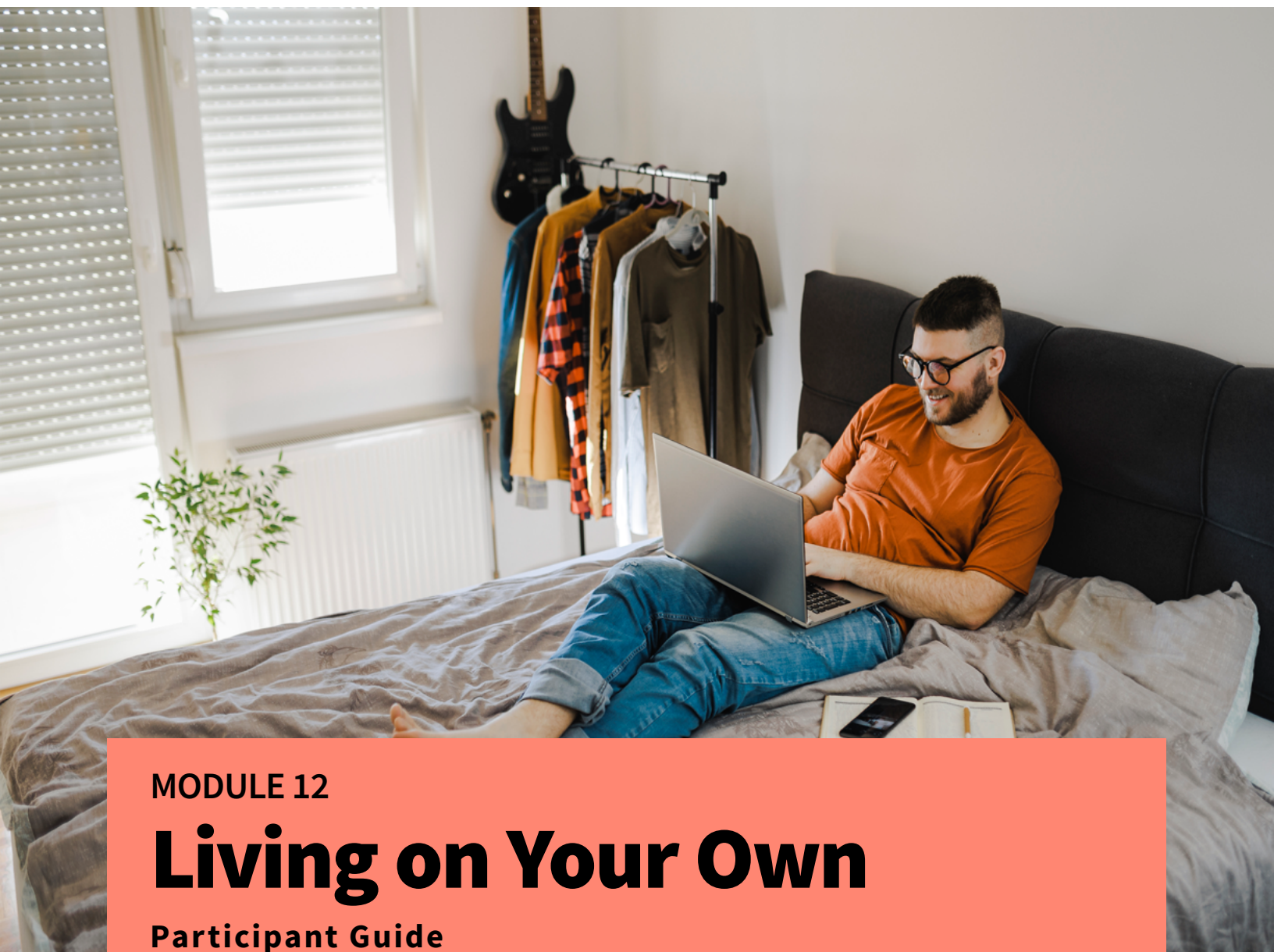




MONEY SMART FOR YOUNG ADULTS



MODULE 12

Living on Your Own

Participant Guide



FDIC-033-2022

The Federal Deposit Insurance Corporation is an independent agency created by Congress to maintain stability and public confidence in the nation's financial system. One way we do that is by providing free, non-biased financial education materials, including this participant guide. For more information about our family of Money Smart products, visit **[fdic.gov/moneysmart](https://www.fdic.gov/moneysmart)**.

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WELCOME

Welcome to the FDIC's Money Smart for Young Adults!

This is the participant guide for **Module 12: Living on Your Own**. Use it during and after training. You can write in it. It is yours to keep.

Module Purpose

This module will help you consider options for renting and buying a home. By the end of this module, you will be able to:

- List needs and wants that affect housing decisions
- Describe a variety of housing options
- List things to consider in choosing whether to rent or buy a home
- Explain how credit reports and scores affect housing options
- List the costs of renting, including monthly costs and one-time costs
- Explain how renter's insurance protects renters
- Create a property inventory



SECTION 1:

Options for Where to Live

We will discuss how to figure out what you need and want in a place to live and also talk about housing options.



KEY TAKEAWAY:

There are different types of housing. To prioritize your options, start by defining what you need and want in a place to live.

Things to Consider in Choosing a Place to Live

Deciding where to live can be complicated. Considering what you need and want in a place to live can help you narrow down your options. Needs and wants can relate to:



The home itself



The location



Costs

✓ APPLY IT:

What Do I Need and Want in a Place to Live?

What needs and wants will affect your housing decision? Describe your needs and wants in the table below. Try to list at least five in each column.

ADVANTAGES	DISADVANTAGES

✓ APPLY IT: My Housing Options

Renting

A lease is a written agreement between one or more renters and a landlord. Leases are important because they make your rights and responsibilities as a renter clear. If you rent a place to live, make sure you have a lease and understand what it says about your rights and responsibilities as a tenant. Also know what the lease says about how disputes would be resolved.

The laws on leases vary by state. For example, states may limit the amount of the security deposit landlords can require tenants to pay. State laws also cover eviction, placing limits on when landlords can force renters to move out.

An **individual lease** is between one person and the landlord. An individual lease means you are only responsible for yourself. A **joint lease** is between multiple people and the landlord. Being on a joint lease means you are responsible if your roommates do not fulfill their obligations. For example, if you are on a joint lease and a roommate does not pay their share of rent or they damage the rented home, you and your roommate are both responsible for the overdue rent or cost of damages. These and other situations can even lead to eviction.

You may need a **co-signer** to secure a rented home if you do not have a credit history or if your credit history is unfavorable. A co-signer for an apartment lease is responsible for all obligations if you default.

A **roommate agreement** is different from a lease. It is a written agreement among people sharing a rented home that set rules how you will split costs and share the living space.

For any rental option, the landlord may require a credit check, require that you provide proof of income, or both.



Buying

Most people borrow money to buy a home. Lenders review the credit reports and scores of people applying for home loans to predict whether they will make payments on their loans on time and as agreed. Based on that review, the value of the home, and other considerations, lenders decide how much they will loan the applicant and on what terms. Lenders also verify your income.

In addition to your down payment and monthly payments, common housing costs include utilities, maintenance and repairs, equipment for yard work, property taxes, and insurance.



Apply It: My Housing Options *continued*

The following tables explain different housing options. In the tables, mark the checkbox for the options that might work for you.

Keep in mind that neither renting nor buying may be options for you when you need to choose a place to live. You may have other options, such as living with family or friends without paying rent.

RENTING OPTION	DETAILS
A room in an apartment or home <input type="checkbox"/> Check if this could work for you	<ul style="list-style-type: none"> ▪ This is a room that is yours to use, generally a bedroom. ▪ You may have access to the kitchen, living room, or other common areas. ▪ You may have a private or shared bathroom. ▪ Generally, this means living with at least one other person. Doing so can be an affordable option.
An apartment <input type="checkbox"/> Check if this could work for you	<ul style="list-style-type: none"> ▪ This is a room or group of rooms owned by a landlord. ▪ You can rent a unit in a small building or a unit in a large complex.
A house <input type="checkbox"/> Check if this could work for you	<ul style="list-style-type: none"> ▪ This is a house owned by a landlord. ▪ This option includes duplex buildings—houses that are divided into two units, each with its own entrance. ▪ Sharing the house with others can be an affordable option. ▪ Rent-to-own or lease-to-own options have higher monthly payments. Part of the payment is put toward rent and the other part is put toward a down payment for the home when purchased.
Privately owned, subsidized housing <input type="checkbox"/> Check if this could work for you	<ul style="list-style-type: none"> ▪ These rental units are offered at reduced rents to people with low incomes. ▪ Because affordable housing is in short supply, it may be difficult to find a unit. There could be long waiting lists. ▪ You may need to meet minimum or maximum income requirements and provide proof of income.
Public housing <input type="checkbox"/> Check if this could work for you	<ul style="list-style-type: none"> ▪ These are affordable rental units available to people with low incomes, senior citizens, and people with disabilities. ▪ Tenants may receive supportive services. ▪ You must work with your local public housing authority to get public housing. There are sometimes long waiting lists. ▪ You may need to meet minimum or maximum income requirements and provide proof of income.
Additional option that I know about: <input type="checkbox"/> Check if this could work for you	

Apply It: My Housing Options *continued*

BUYING OPTIONS	DETAILS
A single-family house, modular home, or townhouse (sometimes called a row house) <input type="checkbox"/> Check if this could work for you	<ul style="list-style-type: none"> ▪ This is a standalone home on a piece of property you own. ▪ A modular home is a type of single-family home. Modular homes are built in factories and assembled on-site. ▪ A townhouse (or row house) is built side-by-side with other homes. You may share one or two walls with other townhouses. ▪ You may have a homeowner's association (HOA) or property owner's association (POA). If you buy a home with an HOA or POA, understand the costs and rules, as well as the benefits.
A condominium <input type="checkbox"/> Check if this could work for you	<ul style="list-style-type: none"> ▪ A condominium is part of a larger property. You own a unit. The condominium association owns the building and grounds. ▪ You are a member of the condominium association, which charges fees and sets rules for condominium owners.
A unit in a cooperative (co-op) <input type="checkbox"/> Check if this could work for you	<ul style="list-style-type: none"> ▪ You lease a unit and are a shareholder in the corporation that owns the entire property. ▪ A tenant-elected board of directors must approve your application to join the co-op. ▪ Financing may be different from a typical home loan. With a co-op, you must buy shares in the corporation that owns the entire property.
A manufactured home <input type="checkbox"/> Check if this could work for you	<ul style="list-style-type: none"> ▪ This is a home built in a factory and delivered to a property. In contrast, parts of a modular home are built in a factory, and those parts are assembled on-site. ▪ Owners of these homes can place them on land they own or on land they lease from a manufactured home community. ▪ Manufactured homes made before 1976 are called mobile homes.
Additional option that I know about: <input type="checkbox"/> Check if this could work for you	

Remember the Key Takeaway

“There are different types of housing. To prioritize your options, start by defining what you need and want in a place to live.”

SECTION 2:

Rent Versus Buy

We will discuss the advantages and disadvantages of renting and buying.



KEY TAKEAWAY:

The advantages and disadvantages of renting and buying may change over time. Although something may be right for you now, a different option may be right for you in the future.

Advantages and Disadvantages of Renting and Buying

Remember, the advantages and disadvantages of renting and buying may change over time. Although something may be right for you now, a different option may be right for you in the future.

Use this space to take notes on the discussion.

Renting

ADVANTAGES	DISADVANTAGES

Buying

ADVANTAGES	DISADVANTAGES

✓ APPLY IT:

Should I Rent or Buy?

Answer the questions in the table to consider whether you want to pursue renting or buying. Keep in mind that neither renting nor buying may be options for you when you need to choose a place to live. You may have other options, such as living with family or friends without paying rent.

QUESTION	YOUR ANSWER	SOMETHING TO THINK ABOUT
How long do you think you will stay in the area?		<p>Generally, the longer you plan to stay, the more advantages you get from buying a home.</p> <p>Consider job opportunities and job stability as well as community or family connections. These things can affect how long you stay in an area.</p>
Do you enjoy home maintenance, yard work, and decorating?		<p>Taking care of a home takes time. The more house or yard you have, the more time you will probably spend taking care of it.</p> <p>While you may do some maintenance, decorating, or yard work in a rental, you will likely spend more time and money on these activities if you own your home.</p>
Do you have money available to cover emergency maintenance and repairs?		<p>Some experts report that people tend to spend 1% to 4% of a home's value each year on maintenance and repairs. If you buy a house for \$250,000, you may need to budget \$2,500 to \$10,000 each year.</p> <p>This figure does not generally include improvements to the home, such as new flooring or a remodeled bathroom.</p>
For renting, do you have money to pay your first and last month's rent, a security deposit, and possibly renter's insurance?		<p>Before you move in, you may need to pay the first and last month's rent and security deposit, and you may also need to buy renter's insurance.</p> <p>And you may need money for an application fee, trash fee, amenities fee, pet fee, parking fee, and other fees.</p> <p>Rental assistance may be available. Contact your public housing authority or the management office or landlord for the unit you want to rent, and ask what assistance is available.</p>
For buying, do you have money for a down payment? For closing costs?		<p>The down payment amount you need may vary from 0% to 20% of the purchase price. For a \$250,000 home, this is \$0 to \$50,000. The more money you pay as a down payment, the less money you will need to borrow.</p> <p>You will also pay closing costs, which typically range from 2% to 5% of the purchase price. For a \$250,000 home, this could be \$5,000 to \$12,500.</p> <p>Assistance may be available to help cover the down payment and closing costs. HUD-approved housing counselors can identify available assistance. Visit hud.gov/findacounselor or call 1-800-569-4287.</p>

Apply It: Should I Rent or Buy? *continued*

QUESTION	YOUR ANSWER	SOMETHING TO THINK ABOUT
Do you have other debt?		For renting: The more debt you have, the less money you have available to pay rent. For buying: The more debt you have, the less money you have available to pay housing costs and the less money you may be able to borrow for a mortgage.
Other consideration:		
Other consideration:		

Based on your answers, what do you think is the right option for you right now?

Remember the Key Takeaway

“The advantages and disadvantages of renting and buying may change over time. Although something may be right for you now, a different option may be right for you in the future.”

SECTION 3:

Credit and Housing Options

We will discuss how your credit reports and scores affect your housing options.



KEY TAKEAWAY:

Your record of paying back what you owe affects your housing options.

How Credit Reports and Scores Affect Housing Options

A credit report is a document that contains your credit history, which is your record of paying back what you owe. Credit scores are numbers based on information in your credit reports. They predict the likelihood that you will pay your bills and debt payments as agreed.

Your credit reports include positive information: the times when you paid debts on time. Your credit reports also include negative information: the times when you did not make debt payments on time and when bills you owed were sent to debt collectors. The positive and negative information in your credit reports affect your credit scores, too, along with other considerations.

Some landlords review the credit reports and scores of rental applicants. They do so to predict whether applicants will pay their rent on time and as agreed.

Lenders review the credit reports and scores of people applying for loans to predict whether they will make payments on their loans on time and as agreed. Based on that review and other considerations, lenders decide how much they will loan and on what terms.

It is important to review your credit reports regularly to identify any inaccurate information. You are entitled to one free credit report from each of the nationwide credit reporting agencies every 12 months.

Annualcreditreport.com is the only website authorized to fill orders for these free credit reports. Visit **annualcreditreport.com** to learn more. Report errors on your credit reports to the credit reporting agencies. They are required to investigate those errors and make the necessary corrections.

Having a credit history showing a track record of paying what you owe gives you options for both renting and buying. Without a credit history of paying bills and debt payments on time, your options may be limited.

TRY IT:

Considering Credit and Renting

Read the scenario and answer the questions.

SCENARIO:

Ty Looks at Rental Options

Ty was talking with three friends. Each of them wants to rent a place to live in the next year or two. Ty remembered learning about credit during his financial education training. He said, “Some landlords do credit checks. They want to know whether people will pay their rent. If your credit isn’t good, you might not get the unit.”

Each friend had a different response.

Emilia said, “No problem. I’ve never owed anyone any money, so I’ve never been late. I should have a clean credit report and high scores.”

Stephen said, “I fell behind on paying my credit card bills for several months. I finally paid off what I owed on the card last summer and closed the account. I’m never going to borrow money again!”

Tanesha said, “I have two credit cards that I use, and I also pay the utilities where I live now. I think I’m usually on time, but I’ve been so busy that the past year and a half has been a blur. I wonder what is in my credit report.”



How should Ty respond to Emilia?

How should Ty respond to Stephen?

How should Ty respond to Tanesha?

Remember the Key Takeaway

“Your record of paying back what you owe affects your housing options.”

SECTION 4:

Costs of Renting

We will discuss costs of renting, including monthly costs and one-time costs.



KEY TAKEAWAY:

Costs of renting include more than just rent. Estimate other ongoing costs, as well as the one-time costs of moving.



APPLY IT:

Monthly Cost Estimator for Renting

Use this checklist to estimate your monthly costs of renting.

Certain fees and utility costs may not be included in your rent. List separate amounts for items not included.

You can estimate utility costs based on past experience. Or, you can visit utility company websites to find average utility costs for your area. Contact the utility companies if you cannot find the information you need.

You can use this estimator for a specific month or for an average month. If you estimate costs for a specific month, keep in mind that some utility costs change. For example, gas bills may be low in warm months and higher in cold months.

☐ Average month / ☐ Month: _____

COST	AMOUNT
Rent	\$
Fees Not Included in Rent	
Parking Fees	\$
Amenity Fees	\$
Pet Fees	\$
Other Fee:	\$
Other Fee:	\$
Subtotal	\$
Utilities Not Included in Rent	
Electric	\$
Gas	\$
Heating Oil	\$
Water	\$
Internet/Cable	\$
Other:	\$
Other:	\$
Subtotal	\$
Other Monthly Costs of Renting	
Renter's Insurance Premium	\$
Cleaning Supplies and Services	\$
Other Unit Maintenance	\$
Yardwork and Outdoor Maintenance	\$
Other:	\$
Other:	\$
Subtotal	\$
Grand Total	\$

✓ APPLY IT:

Move-In Cost Checklist

Use this checklist to calculate what the move will cost. If a move-in cost does not apply in your situation, skip that row.

MOVE-IN COST	AMOUNT
Rental Unit	
First Month's Rent	\$
Last Month's Rent	\$
Security Deposit	\$
Other:	\$
Other:	\$
Other:	\$
Subtotal	\$
Utilities	
Electric: Initial Fees	\$
Electric: Deposit	\$
Gas: Initial Fees	\$
Gas: Deposit	\$
Heating Oil: Initial Fees	\$
Heating Oil: Deposit	\$
Water: Initial Fees	\$
Water: Deposit	\$
Telephone: Initial Fees	\$
Telephone: Deposit	\$
Internet/Cable: Initial Fees	\$
Internet/Cable: Deposit	\$
Waste: Initial Fees	\$
Waste: Deposit	\$
Other:	\$
Other:	\$
Other:	\$
Subtotal	\$

Apply It: Move-In Cost Checklist *continued*

MOVE-IN COST	AMOUNT
Moving Costs	
Packing Supplies	\$
Rental Costs for Moving Equipment and Vehicles	\$
Appreciation to Friends and Family Who Help	\$
Shipping	\$
Professional Movers	\$
Other:	\$
Other:	\$
Subtotal	\$
Furnishing and Decorating	
Furniture	\$
Decorating	\$
Other:	\$
Other:	\$
Subtotal	\$
Other	
Other:	\$
Other:	\$
Other:	\$
Subtotal	\$
Grand Total	\$

Remember the Key Takeaway

“Costs of renting include more than just rent. Estimate other ongoing costs, as well as the one-time costs of moving.”



SECTION 5:

Renter's Insurance

We will discuss how renter's insurance protects renters..



KEY TAKEAWAY:

Renter's insurance helps you financially recover from losses to your property. It also protects you if someone who does not live in your home is injured there.

About Renter's Insurance

Renter's insurance helps you financially recover from losses to your personal possessions due to a hazard or disaster listed in your insurance policy.

Depending on the policy and the level of coverage you select, renter's insurance can:

- Cover the actual costs of the items lost or damaged or the replacement costs of these items.
- Protect you from responsibility if someone who does not live in your rented home is injured there.
- Cover additional living expenses if you are unable to live in your rented home because of a hazard or disaster covered by your policy.

Renter's insurance policies differ in what they cover and what they cost. Shop around for the best deal.

A property inventory lists the things you own. A property inventory is helpful both before and after you purchase renter's insurance.

- It is helpful as you shop for renter's insurance because it helps you check whether the things you value are covered by a renter's insurance policy.
- It is helpful after you purchase renter's insurance because it can help you file an insurance claim if items are lost or damaged.

Along with a property inventory, keep other records that provide evidence of what you own and what it may be worth. This documentation will help you file an insurance claim if items are lost or damaged. Keep receipts and other documentation of your purchases. Consider taking videos or photos of your home and valuables.



✓ APPLY IT:

What Do I Need to Protect?

List personal property you want to protect using renter's insurance. Go to **fdic.gov/moneysmart** to download a blank copy if you need additional pages.

Use the "Room or Category" labels to organize your list. Your inventory could have separate sheets for the rooms of your home. Or your inventory could have separate sheets for categories such as furniture, electronics, and collectibles.

Room or Category (optional): _____

ITEM	PRICE	DATE	BRAND NAME	BACKUP DOCUMENTATION/ PROOF OF OWNERSHIP
Example: Bicycle	\$1,000	9/30/2020	Worldwide Bikes	<input type="checkbox"/> RECEIPT <input type="checkbox"/> PHOTO/ VIDEO <input type="checkbox"/> OTHER
				<input type="checkbox"/> RECEIPT <input type="checkbox"/> PHOTO/ VIDEO <input type="checkbox"/> _____
				<input type="checkbox"/> RECEIPT <input type="checkbox"/> PHOTO/ VIDEO <input type="checkbox"/> _____
				<input type="checkbox"/> RECEIPT <input type="checkbox"/> PHOTO/ VIDEO <input type="checkbox"/> _____
				<input type="checkbox"/> RECEIPT <input type="checkbox"/> PHOTO/ VIDEO <input type="checkbox"/> _____
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				<input type="checkbox"/> RECEIPT <input type="checkbox"/> PHOTO/ VIDEO <input type="checkbox"/> _____
				<input type="checkbox"/> RECEIPT <input type="checkbox"/> PHOTO/ VIDEO <input type="checkbox"/> _____

Remember the Key Takeaway

“Renter's insurance helps you financially recover from losses to your property. It also protects you if someone who does not live in your home is injured there.”

MODULE CLOSING

Remember the Key Takeaways

SECTION	KEY TAKEAWAY
1: Options for Where to Live	There are different types of housing. To prioritize your options, start by defining what you need and want in a place to live.
2: Rent Versus Buy	The advantages and disadvantages of renting and buying may change over time. Although something may be right for you now, a different option may be right for you in the future.
3: Credit and Housing Options	Your record of paying back what you owe affects your housing options.
4: Costs of Renting	Costs of renting include more than just rent. Estimate other ongoing costs, as well as the one-time costs of moving.
5: Renter's Insurance	Renter's insurance helps you financially recover from losses to your property. It also protects you if someone who does not live in your home is injured there.

Take Action

You are more likely to act if you commit to **taking action now**. One way to commit is to think about what you plan to do because of what you learned today. Then write it down.

What will I do?

How will I do it?

Will I share my plans with anyone? If so, who?

Where to Get More Information or Help

The U.S. Department of Housing and Urban Development (HUD) has many resources to help you choose housing, including information on housing options and assistance. Visit **hud.gov**.

HUD offers information and resources on rental assistance. Visit **hud.gov/topics/rental_assistance**.

HUD-approved housing counselors provide assistance at any stage of the homebuying process.

Visit **hud.gov/findacounselor** or call **1-800-569-4287**.

The Consumer Financial Protection Bureau has a variety of resources on home loans, from getting a mortgage to maintaining one. Visit **consumerfinance.gov/consumer-tools/mortgages**.

If you have a question about a banking product, ask a customer service representative at the financial institution for help.

If you have a concern, explain to the customer service representative what happened and what you would like them to do to correct the situation. If that does not help, consider contacting the federal regulator for that financial institution.

To find out who regulates the financial institution, call the FDIC toll-free at 1-877-ASK-FDIC (1-877-275-3342) or visit **fdic.gov/consumers/assistance/filecomplaint.html**.



Pre-Training Survey

Your instructor may ask you to complete this pre-training survey.

Please answer these questions:

1. Cost is the only thing to consider in choosing a place to live.

☐ True ☐ False

2. Which is not commonly paid upfront by renters?

- a. First month's rent
- b. Last month's rent
- c. Security deposit
- d. Down payment

3. Credit affects your options for:

- a. Renting a home
- b. Buying a home
- c. Both a and b
- d. Neither a nor b

4. Sometimes utilities are not included in rent.

☐ True ☐ False

5. A property inventory is helpful both before and after you purchase renter's insurance.

☐ True ☐ False

Post-Training Survey

Your instructor may ask you to complete this post-training survey.

Please answer these questions:

1. Cost is the only thing to consider in choosing a place to live.

☐ True ☐ False

2. Which is not commonly paid upfront by renters?

- a. First month's rent
- b. Last month's rent
- c. Security deposit
- d. Down payment

3. Credit affects your options for:

- a. Renting a home
- b. Buying a home
- c. Both a and b
- d. Neither a nor b

4. Sometimes utilities are not included in rent.

☐ True ☐ False

5. A property inventory is helpful both before and after you purchase renter's insurance.

☐ True ☐ False

About the Training

Please answer the following questions about the training.

1. The trainer:

- | | | |
|--|------------------------------|-----------------------------|
| Shared information in a way that was clear and easy to understand. | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| Made the training engaging. | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| Encouraged participation and discussion. | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| Showed respect for all participants. | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| Created a good learning environment. | <input type="checkbox"/> Yes | <input type="checkbox"/> No |

2. Do you feel better able to make decisions related to the topic of this training?

- ☐ True ☐ False ☐ I do not know

3. Did the training provide information that you can use immediately?

- ☐ True ☐ False ☐ I do not know

4. What were strengths of the training materials?

What could be improved?

5. What were strengths of how the instructor led the training?

What could be improved?

6. What else would you like to learn about this topic or other money topics