

Study Guide Score... 25 Name \_\_\_\_\_

Deduct..... Date \_\_\_\_\_ Class \_\_\_\_\_

Your Score.....



# Making Other Types of Investments

## STUDY GUIDE

### PART I

Directions: Indicate your answer by placing the letter of the term in the blank to the right of its definition.

- |                                   |                           |
|-----------------------------------|---------------------------|
| A. real estate                    | H. equity                 |
| B. mortgage                       | I. appreciation           |
| C. fixed rate mortgage            | J. assessed value         |
| D. adjustable rate mortgage (ARM) | K. speculative investment |
| E. real estate agent              | L. futures                |
| F. appraiser                      | M. spot price             |
| G. condominium                    | N. collectibles           |

	ANSWERS	For Scoring
1. Land and anything that is attached to it. ....	_____	1. _____
2. Someone who is trained and licensed to help with buying and selling real estate. ....	_____	2. _____
3. An individually owned unit in an apartment-like building or complex where maintenance and yard work are normally taken care of for a service fee. ....	_____	3. _____
4. A general increase in the value of property that occurs over a period of time. ....	_____	4. _____
5. One who is trained to estimate the value of property and who can give an official report on its value. ....	_____	5. _____
6. The difference between the price at which you could currently sell your house and property and the amount owed on the mortgage. ....	_____	6. _____
7. A traditional mortgage with an interest rate that does not change during the life of the mortgage. ....	_____	7. _____
8. The amount that your local government determines your property to be worth for tax purposes. ....	_____	8. _____
9. A mortgage for which the interest rate is raised or lowered periodically depending upon the current interest rate being charged by lenders. ....	_____	9. _____
10. A legal document giving the lender a claim against the property if the principal, interest, or both are not paid as agreed. ....	_____	10. _____
11. The current price quoted for precious metals in the world markets. ....	_____	11. _____
12. Items of personal interest to collectors purchased in anticipation of an increase in value in the future. ....	_____	12. _____
13. An investment that has an unusually high risk. ....	_____	13. _____
14. A contract for a commodity purchased in anticipation of higher market prices in the near future. ....	_____	14. _____

**PART II**

*Directions:* Select the term(s) that best complete(s) each statement. Write the corresponding *letter* or *letters* in the *Answers* column. (Note: More than one answer may be required.)

	ANSWERS	For Scoring
1. Real estate includes (A) land only, (B) buildings only, (C) land and anything attached to it. ....	_____	1. _____
2. A property tax is based on (A) the amount paid for the property, (B) the amount for which the property can be sold, (C) the assessed value of the property. ....	_____	2. _____
3. The amount paid out for the upkeep of a house (A) is likely to differ from year to year, (B) becomes less as the house grows older, (C) is an expense of owning the house. ....	_____	3. _____
4. The interest rate on the mortgage on a house (A) increases the actual cost of the house a great deal, (B) does not increase the cost of a house by very much, (C) is not really an important cost in buying a house. ....	_____	4. _____
5. A condominium is (A) usually the first real estate investment for most people, (B) similar to a mobile home, (C) housing in which repairs and maintenance are normally taken care of for a service fee. ....	_____	5. _____
6. Advantages of renting include (A) being free from the responsibility for repairs and maintenance, (B) having a place to call one's own, (C) being able to move easily when necessary. ....	_____	6. _____
7. A mortgage in which the interest rate does not change for the length of the mortgage is a(n) (A) adjustable rate mortgage, (B) fixed rate mortgage, (C) government-backed mortgage. ....	_____	7. _____
8. A house was purchased for \$65,000 several years ago. Today it is worth \$78,000 and the people who bought it owe \$45,000 on the mortgage. The appreciation is (A) \$78,000, (B) \$13,000, (C) \$33,000. ....	_____	8. _____
9. The equity in the house described in Statement 8 above is (A) \$13,000, (B) \$33,000, (C) \$12,000. ....	_____	9. _____
10. Select the value on which property taxes for a house and the surrounding land are based. (A) \$80,000 market value, (B) \$65,000 purchase price, (C) \$40,000 assessed value. ....	_____	10. _____
11. The size of the monthly payment that must be made on a mortgage loan depends on (A) the amount borrowed, (B) the interest rate, (C) the number of payments. ....	_____	11. _____

## ACTIVITIES

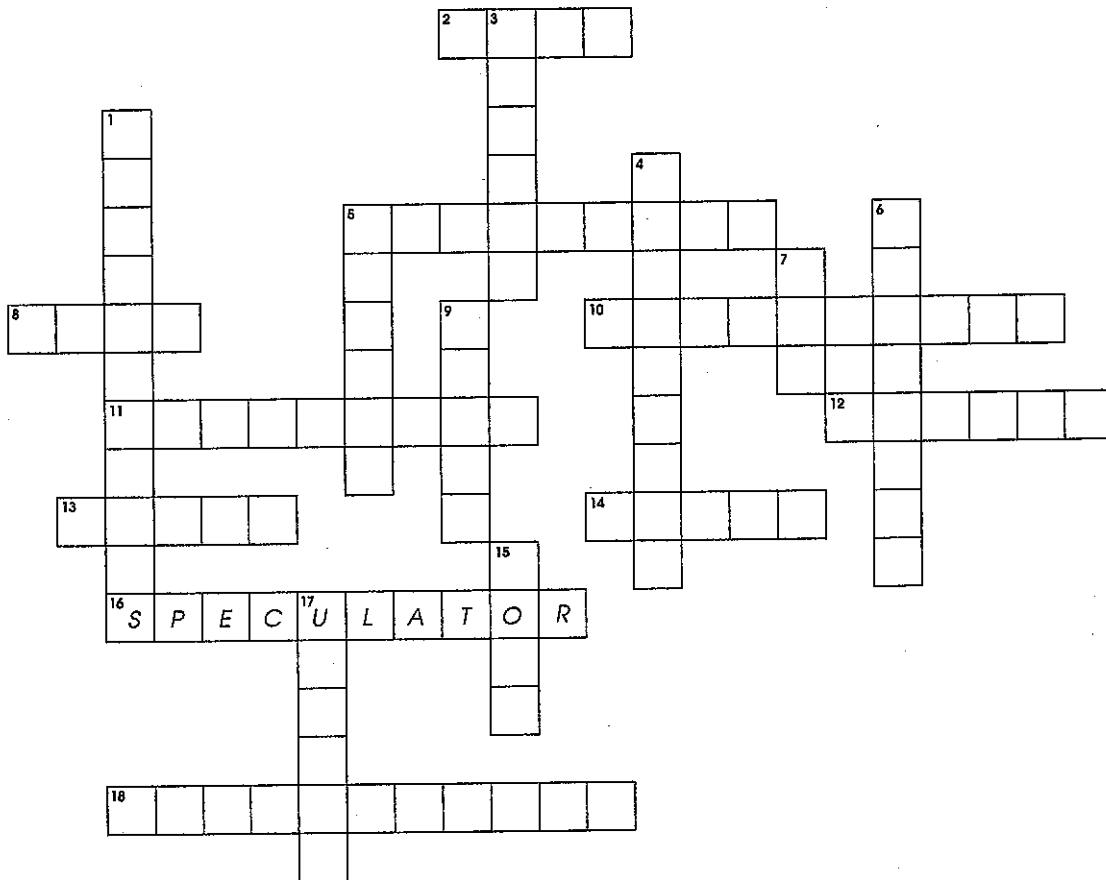
### Applying Critical Thinking Skills

The following statements were made by people concerning their real estate transactions. Indicate whether you agree or disagree with their statements by placing a check mark in the appropriate column at the right. Then write a brief statement telling why you agree or disagree.

SITUATION	AGREE	DISAGREE
1. Atsuko and Andrew were just married. They do not have much money saved, but they say it is a good idea to buy a house right away. .... Explanation:	_____	_____
2. Bob and Bella are paying rent for a house in which they live. Bella says that the rent they pay is a form of investment for them. .... Explanation:	_____	_____
3. Casey and Connie have lived in their house for ten years. They paid \$50,000 for it and it is now worth \$60,000. Casey says that they have gained \$10,000 in appreciation. .... Explanation:	_____	_____
4. Dorey and Don have a house worth about \$90,000; Dorey figures that the average upkeep costs will be about \$13,000 a year. .... Explanation:	_____	_____
5. Edward and Edith have a \$20,000 mortgage on their house; their monthly payment is \$300, half of which goes to pay the interest. Edith says that the other \$150 is used to reduce their mortgage balance. .... Explanation:	_____	_____
6. Fred and Freida have an adjustable rate mortgage; their rate is 10 percent but interest rates are now 15 percent. Fred says that the interest rate on their mortgage will probably go up. .... Explanation:	_____	_____
7. Gwen and George have lived in their house for thirty-five years and will soon retire. Gwen says that a condominium would be nice because most of the yard work would be done for them. .... Explanation:	_____	_____

### Applying Information

This crossword puzzle uses vocabulary terms from Chapters 33 through 36. Read the clues below and complete the puzzle. The term for 16 across is provided to give you a start.



#### Across

2. Someone specially trained and licensed to help in the buying and selling of homes is a \_\_\_\_\_ estate agent.
5. The price quoted for gold, silver, and other precious metals.
8. An exchange where commodities are traded.
10. A term used to identify stocks and bonds.
11. Putting savings to work to earn interest.
12. An investment objective in which the investor expects the value of the stock or bond to increase.
13. The percentage of interest which is added to your savings over a period of time.
14. An investment that results in owning part of a business.
16. One who takes an unusually high risk in investments.
18. A sum of money paid to a government based on the assessed value of property.

#### Down

1. Agricultural products and precious metals that are traded on exchanges.
3. The difference between the market value of your house and the amount you owe on your mortgage.
4. A mortgage in which the interest stays the same throughout the length of the mortgage.
5. An investment objective in which the investor wants to protect the amount invested.
6. Money paid to you for letting someone else use your money.
7. A special plan that gives you an incentive to save for your retirement.
9. An individually owned unit of an apartment-like building.
15. A precious metal that has been highly valued for centuries.
17. Maintaining your property in good condition.