

Name \_\_\_\_\_

## Home Sweet Home: Understanding the Costs of Buying and Owning a House

### Short Answer Key

1. A down payment is an upfront payment made when buying a home, typically a percentage of the home's purchase price. It demonstrates commitment and reduces the amount borrowed through a mortgage. A 20% down payment is recommended because it can lead to lower monthly mortgage payments and may eliminate the need for private mortgage insurance (PMI).
2. Closing costs are fees associated with finalizing the sale of a home. They include expenses such as appraisal fees, title insurance, and attorney fees. Closing costs are important to consider in your budget because they can significantly impact the total cost of buying a home.
3. Three ongoing costs associated with owning a home are property taxes, homeowners insurance, and maintenance and repairs. Property taxes are fees imposed by the local government, homeowners insurance covers damages to the home, and maintenance and repairs are necessary for keeping the home in good condition.
4. Homeowners insurance is a policy that covers damages to a home caused by specific events like fire, theft, or severe weather. It is essential for homeowners because it provides financial protection in case of unexpected property damage.
5. An emergency fund is crucial when owning a home because it can cover unexpected home repairs or financial emergencies, ensuring that homeowners can address urgent issues without straining their budget.

