National Chengchi University
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(7)

Housing Market and Housing Policy
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HOUSING FINANCE

I. Introduction

1. Context of Housing Finance
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4. Functions of Housing Finance
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3. Housing Finance for the Poor
4. First-time Homebuyer
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VI. <u>Housing Finance in Taiwan</u>

1. Housing Finance Condition
2. Cooperative Construction
3. Pre-sale System
4. Problems and Policies

QUESTIONS

1. Could you interview two families (one rental and one owner-occupant) to analyze their housing finance conditions?

2. According to your understanding, what are problems of the pre-sale system and what is your suggestion?

3. Why housing finance is so important to household, real estate sector, financial institution, and national economy?

4. You deposit $5,000 in a savings account paying 6% interest compounded annually. How much are you repaid at the end of twelve years.

5. Someone offers to pay you $30,000 in five years if you will loan her/him a sum of money now. Assuming the person is a very good risk and that you could earn 10% compounded in a saving account for the same period of time, what is the maximum loan you should make?

6. You are a homeowner, 65 years old. You no longer want the responsibilities of ownership, yet you also do not wan to move. So you sell your home to an insurance company and rent it back. Instead of paying you a lump sum for the house, the insurance company agrees to pay you /or your heirs $5,000 a year for 15 years. Assuming that the insurance company can earn 10% on investments of similar risk, what value has it placed on your house?

7. What is the annual level payment required to amortize a 10%, 25year mortgage loan for which the principle is $50,000?

8. Suppose a house costs $1,000,000. Inflation is 5%, the mortgagee rate is 7%, and property taxes are 2%. Depreciation and maintenance are 1% each. There are no expected capital gains. What rent must the owner of this house charge to cover expenses? If inflation remains at 5% and the mortgage rate rises to 9%, what changes would you expect in rent and house value?

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