



# ***Rent Smart***

## ***Module A***

# ***How Much Will It Cost? And Can I Afford It?***



**Extension**

UNIVERSITY OF WISCONSIN-MADISON

**Rent Smart 2017** focuses on the knowledge and skills essential for a successful renting experience. It challenges participants to know and understand their rights and responsibilities as a tenant as well as know and understand the rights and responsibilities of their landlord. Emphasis is on forming a strong partnership between the tenant and landlord. **Rent Smart** was originally based on information collected through focus groups held with property managers and tenant advocates. It was piloted under its original name, **Good Neighbor-Good Tenant**, for several years, then taught as **Rent Smart** in numerous Wisconsin counties for the past 15 years.

**Rent Smart 2017** participant goals include:

- Learn new skills to build positive relationships with landlords and neighbors.
- Gain confidence in their ability to find and maintain affordable housing.
- Understand the application and screening processes used by landlords.
- Learn the responsibilities and rights of tenants and landlords.

The 2017 revised curriculum continues to emphasize an active learning approach designed to foster participant motivation and course effectiveness. Videos, case studies and internet links have been incorporated in the updated curriculum to provide additional interactive learning options. The 2017 revised curriculum consists of six modules, designed to be taught separately or in combination.

**Rent Smart 2017** Modules:

- **How Much Will It Cost? And Can I Afford It?**
- Checking Out the Rental Property and the Landlord
- Application Process
- Who's Responsible for Maintenance, Repairs and Care?
- Communications
- Rental Agreements—Moving In, Moving On

The “**How Much Will It Cost? And Can I Afford It?**” module was prepared by Gail Peavey-Sederski, Polk County Family Living Educator and Joan Sprain, St. Croix County Family Living Educator.

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*References to websites and resources used in this publication are not an endorsement of one product over other similar products.*

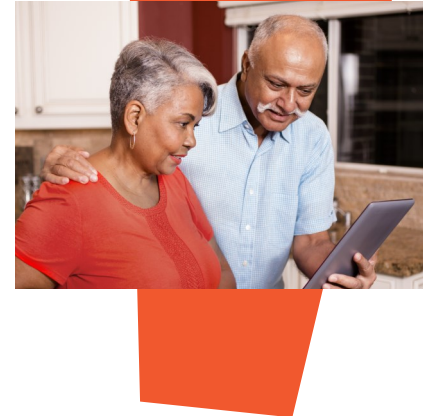
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## Overview

Rent and other housing costs are the largest expenditure for most households, often exceeding the U.S. Department of Housing and Urban Development (HUD) guideline of no more than 30% of one's income. Signing a rental agreement is a major financial commitment. It can create serious problems when someone rents a unit that they cannot afford. One of the most common causes of eviction is failure to pay the rent.

It is essential to understand the total cost of a rental unit, beyond the price of rent alone, before deciding to rent. This module provides guidance on determining the complete costs of a potential rental unit and how to compare available units.

Participants will increase the probability of success in meeting their rent payment if they also consider monthly household income and other expenses in making a decision on how much they can realistically afford to pay for housing. Paying the rent becomes more concrete when participants calculate how much of each paycheck is needed for this major expense.



## References

Landlord Tenant Guide-2016 (Department of Agriculture, Trade and Consumer Protection):  
<http://datcp.wi.gov/uploads/Consumer/pdf/LT-LandlordTenantGuide497.pdf>

## Objectives

Participants will:

1. Identify total cost of individual rental units.
2. Compare rental units based on total costs.
3. Practice balancing personal income and expenses.

## Activities

**Activity 1: What Do the Ads Tell You**

**Activity 2: Comparing Rental Costs**

**Activity 3: Balancing Income and Expenses (Case Studies)**

**Activity 4: Creating a Spending Plan**

**Activity 5: Small Change Adds Up (Optional)**

**Activity 6: Group Budgeting Exercise (Optional)**

It is essential to understand the total cost of a rental unit, beyond the price of rent alone, before deciding to rent.



## Teaching Outline

Provide the *Overall Handout* before beginning the module.

### Suggested Introduction

During this module, we will discuss how much it will cost to be a renter. Besides the rent, what else have you had to pay for when renting in the past? (You may want to make a list on flip chart/board.)

Knowing the answer to this question is very important before looking seriously at renting. In reality, the actual costs of living in a rental unit are more than the cost of rent alone. This module will help you determine the total costs of a unit you wish to rent, and ways to compare several places to help you make the best choice.

### Activity 1: What Do the Ads Tell You?

(Objective 1: Identify total cost of individual rental units.)

- Handout 1: *What Do the Ads Tell You?* (One copy of this handout should be provided for each individual rental unit.)

Information on rental units from:

- Local ads
- Available websites: <http://wihousingsearch.org>; <http://hud.gov/apps/section8/index.cfm> (specific to Section 8 housing); [rent.com](http://rent.com); [Apartment.com](http://apartment.com); [Zillow.com](http://zillow.com); [Craigslist](http://craigslist.com)
- Phone Apps (if participants typically use a Smart phone)

Instruct participants to study the ads provided and complete the questions on Handout 1: *What Do the Ads Tell You?* Discuss what the ads tell them about costs—the rent, utilities, additional costs. Is information missing? If an ad claims “includes heat and appliances” or “utilities included” what does that mean?

How can you get information on estimated utility costs? Discuss methods for obtaining necessary information. It is important to know the total costs of rental housing before making any decisions. If provided with an address, utility companies can usually provide information on past usage and billing. And while it is true that landlords are required to disclose fees and charges (even if just verbally) and provide information on all costs, it is ultimately the future renter’s responsibility to ask for this information before agreeing to rent.

How can you get information on estimated utility costs?

Review together Handout 1: *What Do the Ads Tell You?* Were they able to answer these questions? Or lead participants in brainstorming their own list of questions.

### Activity 2: Comparing Rental Costs

(Objective 2: Compare rental units based on total costs.)

- Handout 1: *What Do the Ads Tell You?*
- Handout 2: *Comparing Rental Costs*
- Calculators for participants' use

Instruct participants to use information gathered on Handout 1: *What Do the Ads Tell You?* (possibly completed in Activity 1, if that activity was selected) to fill out Handout 2: *Comparing Rental Costs*. Participants may work individually or in small groups to obtain cost information from three local ads and/or websites. (You may wish to provide extra copies of Handouts 1 and 2 for future use).

When completed, discuss: What are some of the total monthly costs? Does lower rent always mean lower cost for the month? Is it always best to have utilities included in the rent? Have you considered travel costs to and from work and social support? Does this help you understand whether or not you can afford to rent a place to live? How could you use this chart?

### Activity 3: Balancing Income and Expenses (Case Studies)

(Objective 3: Practice balancing personal income and expenses.)

- Instructor Materials: *Case Study Matrix* of all case studies (2 pages)
- *Case Studies* – select those appropriate for class
- Handout 3: *Monthly Budget Worksheet*
- Instructor Materials: *Completed budget sheets for each case study*
- Handout 4: *When You Need to Reduce Expenses*
- Calculators for participants' use

**Suggested Introduction:** Have you ever worried that you won't have the money when the rent is due? Have you ever gone without food or gas for the car because you had to pay the rent? Have you ever been evicted because you got behind on the rent? In this activity, we will explore how much you can afford to pay for rent and still be able to meet other basic needs. You will get a chance to think about ways to increase your income and/or decrease your expenses, as well as to learn one method of keeping up with your rent payments.

Provide participants with *Case Studies* and Handout 3: *Monthly Budget Worksheet*. Have participants work in pairs to determine monthly income



Does this help you understand whether or not you can afford to rent a place to live?

and expenses from one case study. Note that *Case Study 1* requires TWO *Monthly Budget Worksheets* (for 2 renters) and *Case Study 4* requires TWO *Monthly Budget Worksheets* (for 2 situations). Some points to share before they begin:

- Include only income that can be counted on. For example, overtime payments may not be consistent enough to count in the monthly formula.
- If income varies due to the number of hours worked or because it comes from tips or commissions, use an average of several paychecks or use the amount from the smallest paycheck.
- Income may be from a variety of sources other than wages and may include non-cash income such as Food Share.

When Handout 3 is completed discuss what the renter in the *Case Study* can afford. (Check accuracy using the Instructor Materials: *Completed budget sheets for each case study.*)

Provide Handout 4: *When You Need to Reduce Expenses*. As a group discuss how the ideas relate to the case study they used. (If there is time, have participants work in pairs/small groups to determine monthly income and expenses from other case studies.)

#### Activity 4: Creating a Spending Plan

(Objective 3: Practice balancing personal income and expenses.)

- Handout 3: *Monthly Budget Worksheet* (short) or  
OPTIONAL:
- Handout 4: *When You Need to Reduce Expenses*
- Handout 5: *Set Up a Spending Plan* (long)
- Calculators for participants' use.
- Handout 6: *Paying the Rent—On Time, Every Month*
- Handout 7: *Track Spending*
- Handout 8: *Pocket Spending Tracker*

**Suggested Introduction:** Estimating monthly household income is the first step in determining if one is able to financially afford to rent housing. The second step is to determine the ways in which estimated monthly housing costs will fit with current spending patterns.

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Step 1: Estimating monthly household income: Have participants individually complete Handout 3: *Monthly Budget Worksheet* or Handout 5: *Set Up a Spending Plan* for their own household expenses and income. You may also suggest online budgeting tools or phone apps listed on *Overall Handout*.

Estimating monthly household income is the first step in determining if one is financially able to rent housing.

OPTIONAL: Discuss Handout 4: *When You Need to Reduce Expenses* for discussion related to their own situation.

Step 2: Determine the ways in which estimated monthly housing costs will fit with current spending patterns. Discuss Handout 6: *Paying the Rent—On Time, Every Month*. When using the payment calendar system, each payment should be written on the due date along with who must be paid and how much. Be sure to allow time for mail service if not paid online. Pay all bills when due to avoid late fees, extra finance charges, and utilities from being turned off, eviction, repossessions, bad credit rating.

Discuss Handout 7: *Track Spending* which lists different options for paying bills on time and the importance of tracking spending as written on the handout. You may want to demonstrate some of the suggestions such as using a checkbook register, using envelopes for receipts, or computer programs listed on *Overall Handout*.

Demonstrate Handout 8: *Pocket Spending Tracker* where the participant tracks daily spending of cash (or pocket money). Discuss why this is important.



### Activity 5: Small change Adds Up (Optional)

(Objective 3: Practice balancing personal income and expenses.)

- Instructor Materials: *Small Change Adds Up Strategy Cards*
- Handout 9: *Small Change Adds Up Playing Board*

Divide the class into groups of three or four people. Give each group a set of *Small Change Adds Up Strategy Cards* and a *Small Change Adds Up Playing Board*. Taking turns, members of each group will draw a card and read the strategy to their group.

Together members decide if the strategy is something they already do, will try to do, or is not practical for them. The card is then placed on the board accordingly. Allow 5-7 minutes for this phase of the exercise.

For the larger discussion, have each group share one strategy they are already using and one they will try to use. Ask for suggestions for additional strategies.

### Activity 6: Group Budgeting Exercise (Optional)

(Objective 3: Practice balancing personal income and expenses.)

- Budget Poster (one for each group)
- Markers (dry erase if poster is laminated)
- Instructor Materials: *Spending Plan Receipts* (for each group print, cut apart and put in envelope)
- Calculators for participants' use.



Before session: Make enough budget posters (lamine if possible) to have small groups (4-5 participants) work together on a budget/spending plan. Print sample receipts and place in an envelope for each group.

Divide participants into groups and instruct them to use the receipts to complete the budget poster categorizing the expenses. Then total each category on the poster.

When all groups are done, discuss the following questions:

- Does this person have enough money for housing?
- Are there areas where they could cut back expenses?
- Could they increase their income?

## Learning Assessment

Have participants learned the key concepts of this Rent Smart module? The following questions or activities are recommended to assess participant understanding of the information covered in this module.

- List 2 reasons why it is important to compare rental properties before making a selection?
- What are 2 monthly costs to keep in mind when determining the total monthly costs of a rental unit?
- What are your 2 main sources of income?
- What are your 2 largest expenses?
- What are 2 ways to track spending?
- What are 2 ways you could decrease expenses?