

Leibniz Universität Hannover

Niedersächsisches Studienkolleg Feststellungsprüfung

Mündliche Prüfung Englisch

**Name:** \_\_\_\_\_

**Examiner:** \_\_\_\_\_

1. Read the text: **Now is the time to buy.** Give an account of the text.
2. Give reasons for or against obtaining property. Why would people buy houses? Think of reasons not explained in the text.
3. In which way does the economy based on financial speculation can be distinguished from an economy that is based on real products?
4. What do trends described in the text say about people's perceptions to make money nowadays?

# Now is the time to buy

Dank ständig purzelnder Immobilienpreise haben Zwangsversteigerungen Hochkonjunktur. Wer jetzt zuschlägt, wird mit attraktiven Schnäppchenpreisen belohnt. **medium** 

Recently I attended a **real-estate auction** in the town where I live. To be sold was a restaurant on one **acre** of land on a body of water known as the "Queen of American Lakes." It had 280 feet (85 meters) of **lakefront**, a huge dining area, and six docks.

The **auctioneer** opened the **bidding** at \$2 million. When nobody responded, he went lower and lower. Finally, he said, "OK. Somebody give me a bid!" A hand went up, and an offer of \$300,000 was made.

Original expectations were that the place would sell for between one and two million dollars. But when the bidding ended, the new owner paid only half a million. A motel next door, also on the water, went for \$175,000. "I've never seen lakefront here go for prices like these," a **realtor** told me. "This is definitely a new low."

In most parts of the United States, the real-estate market has been in free fall since 2008. Until that point, people had been buying houses they couldn't afford, and banks were giving **mortgages** to people who weren't qualified. At the time, banks weren't worried about taking risks. They worked out attractive deals that al-

lowed buyers to avoid having to make a **down payment**, and simply pay the **interest** on their loan.

As long as housing prices were on the rise, things were fine. Let's say you bought a house for \$400,000 and paid interest only (probably less than you'd have to pay if you were renting). You could then "flip" the house, selling it a year later. You might get

**Banks really don't want to own real estate, and particularly not in depressed housing markets**



\$500,000 for it. You pay \$400,000 to the bank and take home the difference, minus **legal fees** and taxes.

Everything was great until housing prices started to fall. Suddenly, the scenario looked more like this: you've bought the \$400,000 home with no down payment and are making interest-only mortgage payments. But now your house is worth only \$200,000, and you have zero **equity**.

It could get even worse: imagine you lose your job and can no longer make your mortgage payments. Although your house is now worth only \$200,000, you still owe the bank \$400,000. You might find a buyer, but you'll also have to find another \$200,000. Many people in this situation are simply walking away from their homes, **defaulting** on their mortgage and letting the bank repossess the house.

Banks don't really want to own real estate, though, particularly not when the housing market is depressed. Until the house sells, the bank has to pay taxes and all the other costs. That's why, in many cases, banks are agreeing to **short sales**. The new buyer might pay \$200,000, for example, while the bank writes off the remaining \$200,000 as a loss. It's bad news for banks, but it is resulting in some great deals for home buyers.

So, if you are looking to buy, it is useful to know that Florida and Nevada are among the states that have been hit hard. Homes there now often sell for less than half of what they cost a few years ago. Also, mortgage rates are at historic lows. No wonder people are saying that the US is a buyer's market.



<b>acre</b> ['eɪkər]	Morgen (etw 4047m <sup>2</sup> )
<b>auctioneer</b> [ˌɔːkʃənɪər]	Versteigerer, Versteigerin
<b>bidding</b> ['bɪdɪŋ]	Bieten, hier: Versteigerung
<b>default</b> [di'fɔːlt]	seinen (Zahlungs)Verpflichtungen nicht nachkommen
<b>down payment</b> [ˌdaʊn 'peɪmənt]	Anzahlung
<b>equity</b> ['ekwəti]	Eigenkapitalanteil
<b>interest</b> ['ɪntrəst]	Zinsen (→ p. 57)
<b>lakefront</b> ['leɪkfrʌnt]	Ufergrundstück
<b>legal fee</b> ['liːgəl fiː]	Anwaltskosten
<b>mortgage</b> ['mɔːrɡɪdʒ]	Hypothek
<b>real-estate auction</b> ['riːl ɪˌsteɪt ˌɔːkʃən] N. Am.	Grundstücksversteigerung
<b>realtor</b> ['riːltər] US	Immobilienmakler(in)
<b>short sale</b> ['ʃɔːrt seɪl]	Leerverkauf

Foto: Digital Vision

## **General Requirements:**

Students have 20 minutes preparation time before the examination. They can prepare the text and will receive the question, so they can make notes and comments. Notes and comments can be used in the actual examination, which lasts minimum 15 minutes and maximum 20 minutes. During preparation time, a monolingual dictionary can be used.

## **Contextual Requirements:**

- Students report on the procedure of a real estate auction. They stress on the beauty of the estate and its potential monetary value. The financial crisis has crashed any hopes to achieve upmarket prices. Consequently, people's dreams to make a fortune out of buying and selling houses have been crushed. Negative equity, the loss of one's job, missing capital resources all lead to the burst of the "property bubble". People lose everything and banks too since both were too greedy to make money quickly. Now buyers with a potentially sound financial background may step in and buy property at a bargain price.
- People do buy houses since they need a place to live. During lifetime, people's financial prospects and social circumstances change. Moving to a different town means to find new accommodation. Some see the acquisition of property as a kind of life insurance for the retirement age. However, many hope that the real estate market develops positively, so they can make some extra profit in buying and selling houses. It seems to be some kind of monetary business activity outside the stock exchange.

- An economy is based on products and services that are freely traded in a market. Usually, need and demand determine the price. The moment speculations come into play, money itself turns into a commodity that in itself has no value on its own. During times of an economic downturn, which is also a time of financial adjustment, values of services and trades descend. However, most people believe that services and goods and their financial value underlie a constant upward trend, so they don't have to worry about financing investments without any down payment.
- Many believe that money is a staple good and has the same value. People believe that money has a real value in itself. Making money quickly has become some kind of a sport. The wealth of nations and the wealth of the individual to make a living has become of minor importance. Money has also become a good that local and national governments have no longer control of as it can be shifted and accessed anywhere in the world.

## **Markers**

- Students are able to reflect and summarize the text, giving an independent account of the text. Minus points: Large parts of the text are copied into the student's answer. Fluency of English is a positive marker. Students that need to be helped to bridge their ideas may receive minus points. Some period to think or rethink an answer may not be considered in a negative way. Students who are able to think independently of the text receive positive markers. Students who can insert examples from their native country's background may do so too. Answers that are not attached to the initial question may receive minus markers.