

## Teacher Version

### Buying and Selling in a Housing Bubble Assessment

**Directions:** Read each statement below. Circle true if the statement is true. Circle false if the statement is false.

1. (True/False) A housing bubble means home prices are high and rising quickly.
2. (True/False) During a housing bubble, homeowners can use their increasingly valuable homes as collateral to borrow less money. [*During a housing bubble, homeowners can use their increasingly valuable homes as collateral to borrow **more** money.*]
3. (True/False) During a housing bubble, investors have greater incentives to put their money into the housing market, because they can earn greater returns (more money).
4. (True/False) If housing prices are expected to remain high, then these prices will *definitely* remain high. [*Expectations do not always determine the outcome. They are based on what people **think** will happen.*]
5. (True/False) Both investors and homeowners benefit from owning appreciating assets.
6. (True/False) During a bubble, rising real estate prices provide incentives for people to purchase homes.
7. (True/False) There is a greater potential for investors to earn money during a speculative bubble, because assets are overvalued.
8. (True/False) If the housing bubble suddenly burst, housing prices would increase. [*If the housing bubble suddenly burst, housing prices would decrease.*]
9. (True/False) If the housing bubble suddenly burst, some recently purchased homes would be worth less than their purchase prices.
10. (True/False) There is less risk for investors during a speculative bubble, because they know exactly how long each speculative bubble lasts. [*The duration of a speculative bubble is uncertain. This creates an increased risk of losing money from investments.*]