THE PAMELA WALTERS GROUP
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Have a Question?

Email us at info@pamelawalters.com

Buying or Selling - We're Here to Help!

Mortgage, Taxes & Insurance

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How Big a Mortgage Can I Afford?

Not only does owning a home give you a stable shelter for yourself and your family, it makes great financial sense, too.

This calculation assumes a 28 percent income tax bracket. If your bracket is higher, your savings will be, too.

Rent: ___________________________

Multiplier: X 1.32

Mortgage payment: ___________________

Because of tax deductions, you can make a mortgage payment—including taxes and insurance— that is approximately one-third larger than your current rent payment and end up with the same amount of income.

For more help, use use our online mortgage calculator at https://pamelawalters.com/mortgage-calculator/.

5 Property Tax Questions You Need to Ask

1. What is the assessed value of the property? Note that assessed value is generally less than market value. Ask to see a recent copy of the seller's tax bill to help you determine this information.

2. How often are properties reassessed and when was the last reassessment done? Generally taxes jump most significantly when a property is reassessed.

3. Will the sale of the property trigger a tax increase? Often the assessed value of the property may increase based on the amount you pay for the property.

4. Is the amount of taxes paid comparable to other properties in the area? If not, it might be possible to appeal the tax assessment and lower the rate.

5. Does the current tax bill reflect any special exemptions that you might not qualify for? For example, many tax districts offer reductions to those 65 or over.

11 Questions to Ask Your Lender

Be sure you find a loan that fits your needs with these comprehensive questions.

1. What are the most popular mortgage loans you offer?

2. Which type of mortgage plan do you think would be best for us? Why?

3. Are your rates, terms, fees, and closing costs negotiable?

4. Will I have to buy private mortgage insurance? If so how much will it cost and how long will it be required? NOTE: Private mortgage insurance usually is required if you make less than a 20 percent down payment, but most lenders will let you discontinue the policy when you've acquired a certain amount of equity by paying down the loan.

5. Generally, VA Home Loan buyers are not required to purchase Private Mortgage Insurance, and because of this, these buyers have substantial purchasing power.

6. Who will service the loan? Your bank or another company?

7. What escrow requirements do you have?

8. How long is your loan lock-in period (the time that the quoted interest rate will be honored)? Will I be able to obtain a lower rate if they drop during this period?

9. How long will the loan approval process take?

10. How long will it take to close the loan?

11. Are there any charges or penalties for prepaying the loan?

11 Things a Lender Needs From You

1. VA Home Loan buyers will need proof of service and then their Certificate of Eligibility.

2. W-2 forms or business tax return forms if you’re self-employed for the last two or three years for every person signing the loan.

3. Copies of one or more months of pay stubs from every person signing the loan.

4. Copies of two to four months of bank or credit union statements for both checking and savings accounts.

5. Copies of personal tax forms for the last two to three years.

6. Copies of brokerage account statements for two to four months, as well as a list of any other major assets of value, e.g., a boat, RV, or stocks or bonds not held in a brokerage account.

7. Copies of your most recent 401(k) or other retirement account statement.

8. Documentation to verify additional income, such as child support, pension, etc.

9. Account numbers of all your credit cards and the amounts of any outstanding balances.

10. Lender, loan number, and amount owed on other installment loans—student loans, car loans, etc.

11. Addresses where you lived for the last five to seven years, with names of landlords, if appropriate.

6 Creative Ways to Afford a Home

If your income and savings are making home buying a challenge, consider these options.

1. Investigate local, state, and national down payment assistance programs. These programs give loans or grants to cover all or part of your required down payment. A useful resource for Texas via HUD can be found here: https://www.hud.gov/states/texas/homeownership/buyingprgms.

2. Get the seller to provide financing. In some cases, sellers may be willing to finance all or part of the purchase price of the home and let you repay them gradually, just as you do a mortgage.

3. Consider a shared-appreciation, or shared equity, arrangement. Under this arrangement, your family, friends, or even a third-party may buy a portion of the home and thus share in any appreciation when the home is sold. The owner/occupant usually pays the mortgage, property taxes, and all maintenance costs, but all investors' names are usually on the mortgage. There are companies that can help you find such an investor if your family can't participate.

4. Get help from your family. Perhaps a family member will loan you money for the down payment and/or act as a cosigner for the mortgage. Lenders often like to have a cosigner if you have little credit history

5. Lease with the option to buy. Renting the home for a year or more will give you the chance to save more toward your down payment. And in many cases, owners will apply some of the rental amount toward the purchase price. You usually have to pay a small, nonrefundable option fee to the owner. This option is hard to find in a seller's market.

6. See if you can qualify for a short-term second mortgage to give you the money to make a higher down payment. This may be possible if you have a good income and little other debt.

Choices That Will Affect Your Loan

- **Mortgage term**. Mortgages are generally available at 15-, 20-, or 30-year terms. The longer the term, the lower the monthly payment if the same amount is borrowed. However, you pay more interest overall if you borrow for a longer term.

- **Fixed or adjustable interest rates**. A fixed rate allows you to lock in a low rate for as long as you hold the mortgage and is usually a good choice if interest rates are low. An adjustable-rate mortgage (ARM) is designed so that interest rates will rise as interest rates increase; however they usually offer a lower rate in the first years of the mortgage. ARMs also usually have a limit as to how much the interest rate can be increased and how frequently they can be raised. ARMs are a good choice when interest rates are high or when you expect your income to grow significantly in the coming years.

- **Balloon mortgages**. Balloon mortgages offer very low interest rates for a short period of time—often three to seven years. Payments usually cover only the interest, so the principal owed is not reduced. However, this type of loan may be a good choice if you think you will sell your home in a few years.

- **Government-backed loans**. Government-backed loans, sponsored by agencies such as the Federal Housing Administration (www.fha.gov) or the U.S. Department of Veterans Affairs (www.va.gov), offer special terms, including lower down payments or reduced interest rates—to qualified buyers.

Slight variations in interest rates, loan amounts, and terms can significantly affect your monthly payment, so be sure to contact more than one lender. We suggest you start with our preferred lender, Tyler Home Mortgage.

5 Things to Understand About Homeowners Insurance

1. **Look for exclusions to coverage**. For example, most insurance policies do not cover flood or earthquake damage as a standard item. These coverage's must be bought separately.

2. **Look for dollar limitations on claims**. Even if you are covered for a risk, there may a limit on how much the insurer will pay. For example, many policies limit the amount paid for stolen jewelry unless items are insured separately.

3. **Understand replacement cost**. If your home is destroyed you'll receive money to replace it only to the maximum of your coverage, so be sure your insurance is sufficient. This means that if your home is insured for $150,000 and it costs $180,000 to replace it, you'll only receive $150,000.

4. **Understand actual cash value**. If you choose not to replace your home when it's destroyed, you'll receive replacement cost, less depreciation. This is called actual cash value.

5. **Understand liability**. Generally your homeowners insurance covers you for accidents that happen to other people on your property, including medical care, court costs, and awards by the court. However, there is usually an upper limit to the amount of coverage provided. Be sure that it's sufficient if you have significant assets.

9 Ways to Lower Your Homeowners Insurance Costs

1. **Raise your deductible**. If you can afford to pay more toward a loss that occurs, your premiums will be lower.

2. **Buy your homeowners and auto policies from the same company.** You'll usually qualify for a discount. But make sure that the savings really yields the lowest price.

3. **Make your home less susceptible to damage**. Keep roofs and drains in good repair. Retrofit your house to protect against natural disasters common to your area.

4. **Keep your home safer**. Install smoke detectors, burglar alarms, and dead-bolt locks. All of these will usually qualify for a discount.

5. **Be sure you insure your house for the correct amount**. Remember, you're covering replacement cost, not market value.

6. **Ask about other discounts**. For example, retirees who are home more than working people may qualify for a discount on theft insurance.

7. **Stay with the same insurer**. Especially in today's tight insurance market, your current vendor is more likely to give you a good price.

8. **See if you belong to any groups**—associations, alumni groups—that offer lower insurance rates.

9. **Review your policy limits and the value of your home and possessions annually**. Some items depreciate and may not need as much coverage.

5 Things to Understand About Title Insurance

1. It protects your ownership right to your home both from fraudulent claims against your ownership and from mistakes made in earlier sales, such as mistake in the spelling of a person’s name or an inaccurate description of the property.

2. It’s a one-time cost usually based on the price of the property.

3. It’s usually paid for by the sellers.

4. There are both lender title policies, which protect the lender, and owner title policies, which protect you. The lender will probably require a lender policy.

5. Discounts on premiums are sometimes available if the home has been bought within only a few years since not as much work is required to check the title. Ask the title company if this discount is available.