



HOW WILL A HIGHER TAX BILL AFFECT YOUR MORTGAGE?

SCENARIO WHEN THE BUYER CLOSED:

NET TAXABLE VALUE: \$130K
TOTAL TAX BILL WAS \$2,135.08

↪ THIS IS WHAT THE BUYER'S ESCROWS ARE BASED ON.

AFTER THE COUNTY REASSESSED BECAUSE THE PROPERTY SOLD TO A NEW OWNER:

TAXABLE VALUE: \$332K
TAXES WILL BE \$3,917-\$4,393

↪ DEPENDING ON THE FINAL BUDGETS THE PROPERTY APPRAISER'S OFFICE APPROVES.

WORST CASE SCENARIO:

↪ **LET'S ASSUME THE WORST CASE SCENARIO OF \$4,393 FOR THIS YEAR'S TAX BILL.**

THAT CREATES AN ESCROW SHORTAGE OF \$2260 (\$2135-4393).

THE LENDER WILL PAY THE FULL TAX BILL IN NOVEMBER. THEY WON'T DO AN ESCROW ANALYSIS ON THE LOAN UNTIL SOME TIME NEXT YEAR. THAT IS WHEN THEY WILL SEE THE SHORTAGE AND WILL MAIL YOU A LETTER GIVING YOU THE OPTION TO PAY A LUMP SUM \$2260 (OR CLOSE TO THAT) – OR INCREASING YOUR MORTGAGE PAYMENT.

THE PROBLEM:

THE PROBLEM WITH WAITING FOR THAT LETTER AND JUST ALLOWING PAYMENTS TO INCREASE IS...

PROBLEM #1

1. THEY WILL TAKE THE \$2260 SHORTAGE AND DIVIDE IT OVER THE NEXT 12 MONTH PAYMENTS, SO \$188. THAT IS TO COVER THE SHORTAGE FOR THE 2022 BILL.

PROBLEM #2

2. THEN THEY NEED TO PLAN ON THE 2023 BILL BEING ROUGHLY THE SAME AMOUNT, SO THEY TACK ON ANOTHER \$188 TO MAKE SURE THAT NEXT YEAR'S TAX BILL DOESN'T CREATE ANOTHER SHORTAGE (BECAUSE YOUR MORTGAGE PAYMENTS AT CLOSING WERE ALWAYS ASSUMING THAT THE TAX BILL WOULD BE IN THE \$2135 RANGE).

THE SOLUTION:

OPTION #1:

START PAYING A LITTLE INTO YOUR ESCROW, ON TOP OF YOUR MORTGAGE PAYMENT. WHEN THE ESCROW ANALYSIS HAPPENS NEXT YEAR, IT WON'T BE SHORT AND YOU WON'T GET HIT ALL AT ONCE!

OPTION #2:

WAIT ON THE LETTER AND PAY THE SHORTAGE AS A LUMP SUM. THEN START MAKING THE NEW "NORMAL" MORTGAGE PAYMENTS

OPTION #3:

MAKE THE NEW MORTGAGE PAYMENT ACCORDING TO THE ESCROW ANALYSIS LETTER COVERING THE SHORTAGE AND THE ONGOING TAX BILL AMOUNT

BREAKDOWN OF NEW PAYMENTS: BUYER'S PAYMENT AT CLOSING WAS \$1788.46

IF THE OWNER DOES NOT PRE-PAY ESCROW:

↪ \$1,394.04 PRINCIPLE/INTEREST
\$216.49 INSURANCE
\$554.08 TAXES
\$2,164.61 TOTAL

IF THEY DID PRE-PAY INTO ESCROW:

↪ \$1,394.04 PRINCIPLE/INTEREST
\$216.49 INSURANCE
\$336.08 TAXES
\$1,976.61 TOTAL