

For the First Time Homebuyer

What are Supplemental Property Taxes?

When a new home is purchased, a "Change of Ownership Statement" form must be completed by the seller. This form will trigger the County Tax Assessor to re-appraise the property being purchased. The supplemental taxes are basically the difference between the old tax base paid by the seller and the new tax base calculated based on the purchase price. This new differential amount is adjusted from the time period between the close of escrow for the new purchase and the next tax assessment period.

The tax assessments happen on March 1st for the tax year that begins July 1st and continues until June 30th of the following year. The County Tax Collector will immediately, as in the first day of the month following the close of escrow, begin collecting the higher taxes due until the beginning of the next tax year. To sum up; a supplemental tax becomes a lien against property on the date ownership changes.

Remember, this is a *supplemental* tax bill, which is in addition to the property tax bill. Don't be surprised to see a seller's name on your tax bill when it comes in the mail; the names won't be transferred over until January 1st of the previous year, however, despite the name listed on the tax bill, the buyer is the party responsible for payment.

When are property taxes due? Tax bills are due in two annual installments, but sent out once a year. Tax bills are sent out before November 1st and are due December 10th and April 10th.

What is a Change in Ownership Statement? Whenever there is a change in ownership of real property or a manufactured home, state law requires the seller to file a "Change of Ownership Statement" form in the county where the real property or manufactured home is located. If the form is not filed within 45 days from the date of the assessor's written request, penalties will be applied. Information furnished on this form by the transferee assists the assessor in fulfilling his legal responsibilities. A completed change in ownership statement is not open to public inspection.

Buyers must arrange and purchase a Homeowners Insurance Policy.

A standard homeowner's insurance policy includes four essential types of coverage. They include:

1. Coverage for the structure of the home. The policy will pay to repair or rebuild a home if damaged or destroyed under certain circumstances.
2. Coverage for personal belongings. Furniture, clothes, sports equipment and other personal items are covered up to a certain percentage if they are stolen or destroyed by fire or other insured disaster.
3. Liability protection. Liability covers against lawsuits for bodily injury or property damage caused by the owner or family members cause to other people. It also pays for damage caused by the owner's pets.
4. Additional living expenses in the event the owner is temporarily unable to live in his/her home because of a fire or other insured disaster.

Can someone own a home without Homeowners Insurance?

A borrower can legally own a home without homeowners insurance. But, if they have bought their home and financed the purchase with a mortgage, their lender will require them to get homeowners insurance coverage. Lenders need to protect their investment in the home in case the house burns down or is damaged.

If the home is in an area that is likely to flood, the lender will require the owner to purchase flood insurance. Some lenders require earthquake coverage if the home is in a region vulnerable to earthquakes. If the property is a co-op or condominium, the board will probably require homeowners insurance be purchased.

After the mortgage is paid in full, the owner may cancel their homeowners insurance. We strongly discourage this, as the risk of loss could be devastating to the owner.

Lender Requirements: The lender will require insurance to cover the house for at least the amount of the mortgage. This may be either too little or too much coverage for the circumstances. Borrowers are not required to buy insurance from the insurer recommended by their lender. Most lenders will only allow the deductible to be \$1000 or less. It's very important that policy holders read their policy carefully to understand what is insurance and what they will be responsible for themselves.