

March 30, 2009

The Outlook

THE MORTGAGE CORNER

“Property Tax Payments”

If you have a mortgage payment already, chances are your payment is “P.I.T.” which means Principal, Interest and Taxes. The financial institution that holds your mortgage is collecting a portion of your property taxes every month, along with your regular mortgage payment.

The financial institution you deal with may have made it a requirement that you pay a portion of your taxes monthly – usually this is the case when you have a high-ratio or insured mortgage – which means you’ve mortgaged a higher amount against your property than a conventional loan would have allowed. If a borrower has a higher down payment, they are usually allowed to pay their own property taxes. Some people just prefer if they are collected monthly and that way they don’t need to think about coming up with the money when the taxes are due.

If the financial institution collects your taxes for you, they make sure to pay them by the discount date – which is the date specified by the Town or City where they will give a reduction in taxes if paid early. Some institutions will allow you to pay your taxes through an automated payment system, if your Town or City offers this option, with proof of payment provided annually.

When you first buy a property, there may be some confusion when the tax payments are first set up. For instance, if you buy in December and your taxes are due in July, you only have half a year to accumulate a full year’s taxes in your tax account. This may make your P.I.T. payment quite a bit higher than you had first anticipated!

You may think that the property taxes were paid for the current year when your purchase transaction went through the lawyer’s office. But, you will need to check your legal invoice carefully, as you may have received a “credit” on your bill for the portion of the taxes owed by the seller, but the tax amount was not actually remitted to the Town or City. New home buyers have so much information to digest at the time of purchase, that this is one area that often gets overlooked. Be sure you know the status of your property taxes on your new property, to avoid an unpleasant surprise later!

Your mortgage broker will review your property taxes with you when you purchase a new property, to make sure you understand the status of the amount you owe.

Midwestern Mortgage