

Ea\$y Money – Property: Property Tax

What it is: If you own property then you are aware of property taxes, but you may not know how it is calculated and how is it used? Property tax is imposed on real estate or personal property and is a principal source of income for local governments. The tax is a percentage of the assessed value of the home which is determined by local officials, and may be disputed by property owners. The services that are normally funded by property taxes can include: education, emergency services, transportation, libraries and parks as well as different recreational activities.

How it works: The property taxes percentage that is applied to your property is known as the mill rate or mill levy. The mill levy is simply the tax rate levied on your property value, with one mill representing one tenth of one cent. So, for \$1,000 of assessed property value, one mill would be equal to one dollar.

Why it matters? A monthly mortgage payment usually includes four parts: an amount that goes toward the principal of the loan (the money you've borrowed) and a second amount that goes toward interest (the cost of borrowing the money), a third amount that is put into escrow for taxes, and a fourth amount that is escrowed for insurance. The lender will use funds from the escrow account to pay taxes and insurance. Homeowners can elect to pay taxes and insurance on their own but most lenders will want assurance that these are paid. A lender does not want to lose their investment to unpaid taxes.

Who should care? If you are struggling to make your mortgage payments – or you've missed payments – contact your servicer. It's critical to keep the lines of communication open when you're trying to resolve issues with your account. If you have difficulty reaching or working with your servicer, call 1-888-995-HOPE for free personalized advice from housing counseling agencies certified by the U.S. Department of Housing and Urban Development (HUD). This national hotline – open 24/7 – is operated by the Homeownership Preservation Foundation, a nonprofit member of the HOPE NOW Alliance of mortgage industry members and HUD-certified

counseling agencies. For free guidance online, visit www.hopenow.com. (Source: Federal Trade Commission)

For more information:

- Federal Trade Commission, www.consumer/ftc.gov
- Iowa State University Extension and Outreach Money Blogs tips
<http://blogs.extension.iastate.edu/moneytips/>
- Iowa State University Extension and Outreach website at
www.extension.iastate.edu/humansciences/