

Additional financial aspects

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Other Aspects:

Risk Management

Homeowners Insurance

ESCROW ACC#

Flood Insurance

Record keeping



Risk Management

<https://edis.ifas.ufl.edu/publication/FY1482>

RISK MANAGEMENT PLANNING

SOURCE: (USDA RISK MANAGEMENT AGENCY, 2008) & [HTTPS://EDIS.IFAS.UFL.EDU/PUBLICATION/FY1482](https://edis.ifas.ufl.edu/publication/fy1482)

- 1) Identify risks;
- 2) Measure risks;
- 3) Assess risk bearing capacity;
- 4) Evaluate risk tolerance or preferences;
- 5) Set risk management goals;
- 6) Identify effective risk management tools;
- 7) Select and hire risk management professional(s);
- 8) Decide on and implement the plan; and
- 9) Evaluate the results

INSURANCE



HOMEOWNER'S INSURANCE



REQUIRED by most lenders



Protects the lender's collateral for the loan

The house



Property Coverages:

Structure (the dwelling itself)
Other Structures (sheds, fences)
Personal Property (the contents of the structures)
Loss of Use (Additional Living Expense or ALE)



Liability Coverages:

Personal Liability
Medical Payments to Others

Shopping for Homeowner's Insurance

- **Get at least 3 quotes**
 - Compare “apples to apples” in coverage amounts
- **Check for discounts:**
 - Multi-line – car and home
 - Renter-to-homeowner policy
 - Safety features – construction, alarm system



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Declarations Page

- **Spells out what is/is NOT covered and limits**
 - Perils
- **Special items may need extra coverage**
 - Antiques, collections, electronics
- **Talk with Your Agent**
 - Limits, Exclusions
- **How Much Insurance to Buy?**
 - Amount to Rebuild Your Home at Current Prices for Materials and Labor
 - **Law and Ordinance Coverage**
 - Rebuild to meet current codes



Deductible

- **The amount *you* pay before the insurance company pays for a loss**
- **All Perils –events that causes damage**
 - \$500 or Higher
- **Hurricane Deductible**
 - \$500
 - 2%, 5%, or 10% of home's value
 - Anytime a hurricane watch or warning is issued for *any* part of Florida
 - Applies up to 72 hours *after* watch/warning has expired
 - Limited to one per calendar year per insurance carrier

Claim payment

- **Deductible amount**

= **Check amount**

Flood Insurance



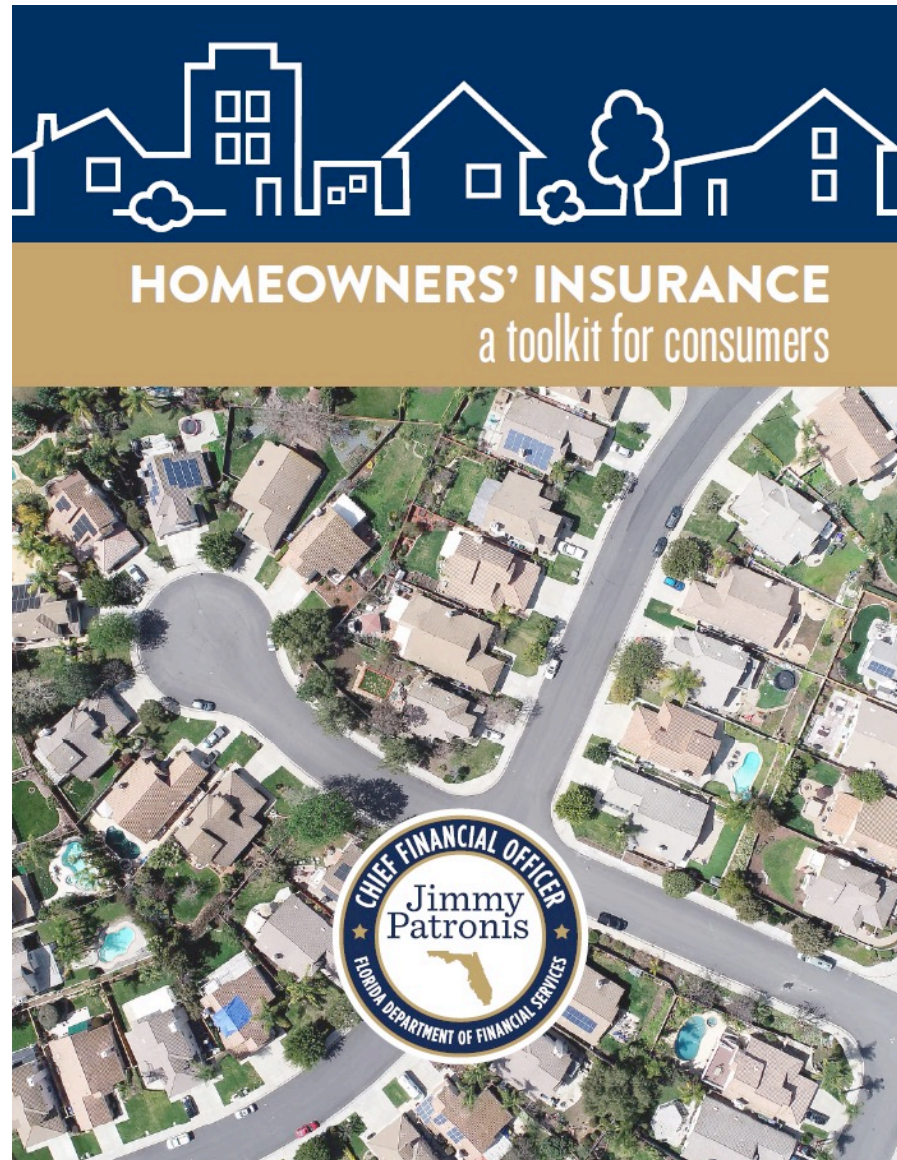
- **Most policies EXCLUDE flood damage (rising water)**
- **You may qualify for National Flood Insurance Program**
 - **1-888-FLOOD29**
 - Based on home's location
 - May qualify for discount with special elevation report
- **Flood Insurance may be available with Homeowner's Insurance**
 - Contact your agent for more information

Insurance is required *Before* Closing

- **Force-Placed Insurance**
- **Purchased by Lender**
 - Very Expensive
 - Covers only structure
 - No personal property coverage
 - May cover only outstanding mortgage balance
 - No money for repairs
 - *Lender* is the Insured
 - You may not have any rights to the policy



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OTHER ASPECTS

Homestead Exemption

The Escrow Account

Homestead Exemption



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- **Saves Money on Property Taxes**
- **1st and 3rd \$25,000 in property value is tax-exempt**
- **Eligibility:**
 - **January 1** of the year you apply
 - Must own real property in Florida
 - Property is *your* permanent residence OR
 - Permanent residence of a legal/natural dependent
- **Additional Exemptions**
- **Application Deadline: March 1**
- **Apply at Property Appraiser's Office**

Homestead Exemption

- **Property taxes include:**
 - **County Property Tax** – Full Homestead Exemption applies
 - **School Board Tax** – \$25,000 only
 - **Water Management District Tax**
 - **City Tax** – if your home is inside the city limits
 - **Fire Rescue EMS** – varies by county
 - **Other assessments** – solid waste, improvements – varies by county



ORIGINAL APPLICATION FOR HOMESTEAD AND RELATED TAX EXEMPTIONS

Permanent Florida residency required on January 1.
Application due to property appraiser by March 1.

DR-501
Rule 12D-16.002, F.A.C
Eff. 09/18
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REMEMBER PITI?



Escrow Account

$$P + I\% + T + I$$

- **Special fund by lender**
 - Property taxes -
 - Homeowner's Insurance
- **Most mortgages require an escrow account**
- **Changes in property taxes and/or insurance =
Change in monthly mortgage payment**

Escrow Account

- **Escrow Analysis**

- Escrow account review to make sure you're paying enough to cover taxes and insurance. --Performed annually (date varies by lender)
 - **Shortage:** Pay shortage in full, in part, or over the next 12 months
 - **Surplus:** Refund of difference if more than 2 months of escrow payments

Take Away:

Notifications are required for any new /revised amounts

REAL ESTATE SETTLEMENT PROCEDURE ACT (RESPA)

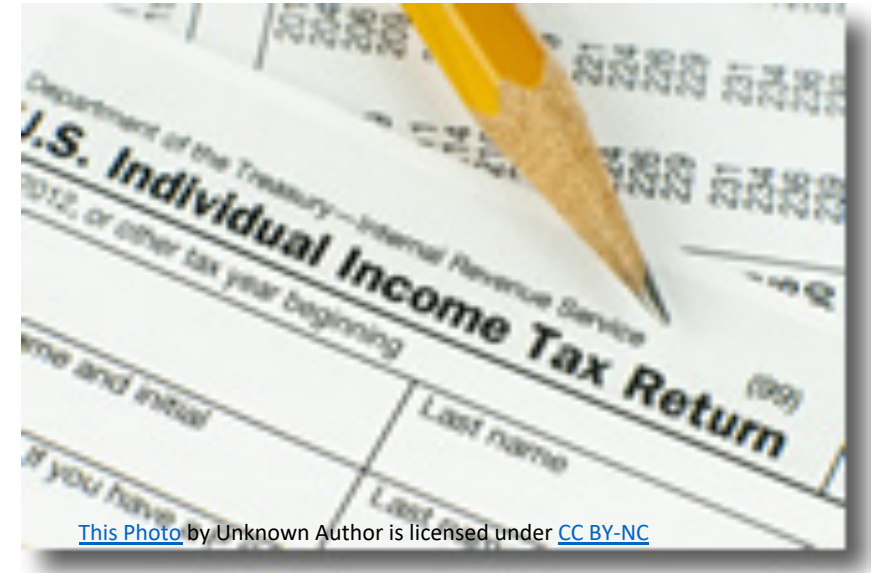
A Consumer Protection Act. The **Real Estate** Settlement Procedures Act (**RESPA**) provides consumers with improved disclosures of settlement (basically better formatting or clear documents in print) of costs of closing monies by eliminating unnecessary extra fees

Protects your right to initial escrow account statement within 45 days of closing

Maximize your Investment

- **Mortgage Interest**
- **Points –when paid at closing**
- **Property Taxes**
- **Itemizing required**

When in doubt: Consult a tax advisor



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Prepay Your Mortgage



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- **Example:**
- **P & I = \$600**
- **$\$600 / 12 = \50**
- **$\$650 \times 12 = \$7,800$**
- **Extra \$600 applied to Principal**
- **Paying by Check:**
 - Write two checks
 - Regular mortgage payment
 - Extra amount
 - “Principal Only” on Memo line

Keep Good Records of Home Improvements

- **Records are helpful for:**
 - Insurance claims
 - Repair warranties
 - Selling house
- **Save receipts for as long as you own house + 3 years**



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Risk Management

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1. **Homeowners Insurance** –Pre-closing
2. ESCROW ACC# -**Review Yearly**
3. Homestead Exemption & How to maximize your savings
4. **Importance of Record keeping**



Questions?