Unlocking HOMEOWNERSHIP

WATCH FOR CHANGES TO YOUR MORTGAGE PAYMENT

It's important to regularly review and understand your monthly mortgage statements. Fluctuations in your payment amounts are common throughout the life of your loan due to changes in property taxes or insurance. Your mortgage payment can go up or down, even with a fixed interest rate. If you notice your payment has changed, investigate why so you can understand the difference and anticipate any future changes.

Factors that Increase Your Mortgage Payment:

- **Adjustable-rate mortgage (ARM).** When your interest rate changes as part of an adjustable-rate mortgage, it is called a rate adjustment. If the mortgage has a term of more than one year, your mortgage servicer must send you an estimate of your new payment seven or eight months before the first rate adjustment. If you have an ARM that already had a rate adjustment, you will be notified two to three months before the next adjustment. Once you receive the notice, budget for your new payment or consider shopping for a different mortgage.
- **Property taxes and reassessment.** Your property taxes can increase based on your home's market value. For example, home renovation projects that expand square footage can increase your property's value and your property taxes. Property taxes can also increase due to changes in tax rates at the local or state level.

  Your local municipality conducts a property reassessment to ensure property taxes are accurate and fair. Homeowners may order a reassessment from their municipality, although these are typically performed annually. During a reassessment, the assessor reviews properties in the community and takes a holistic look at the market. This process could determine that your home has increased in value, which may increase your property taxes.
- **Homeowners insurance.** Homeowners insurance payments are typically added to your monthly mortgage payment — so if your insurance cost goes up, your monthly payment goes up. Your insurance company might raise rates due to inflation or costly frequent claims (like severe weather events). In this scenario, it's not that your loan amount has increased but that costs associated with homeownership have increased.
- **New fees.** Your servicer may have added fees, such as new servicing fees, that increased your monthly payment. Check your monthly statement or any correspondence you recently received from your servicer.

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Factors that Decrease Your Mortgage Payment:

- **Property taxes.** Your property taxes could decrease if, after property reassessment, your home value has gone down. This may occur because of market conditions or property depreciation.
- **Homeowners insurance.** Your monthly mortgage statement will decrease if your homeowners insurance is removed from escrow.
- **Property tax exemptions.** Obtaining a property tax exemption can reduce or even eliminate your property tax. Some homeowners may be granted exemptions based on life circumstances such as income level, age or military service. Others depend on the property, such as whether it serves as a primary residence or is used for agriculture.

  Eligibility for these exemptions varies by state or local municipality and even the time of year. You may not qualify yearly so you may notice an increase in your monthly mortgage payments. Eligibility rules can be complicated — check with a tax professional or local government authorities, such as your state, city or county department of taxation.
- **Mortgage insurance.** Mortgage insurance, or private mortgage insurance (PMI), is often required by lenders to protect their investment if a borrower defaults on their loan. PMI is often required when a down payment is less than 20% but varies by mortgage type and lender. When you pay off a certain percentage of your mortgage, your lender may drop the mortgage insurance premium, lowering your payment.