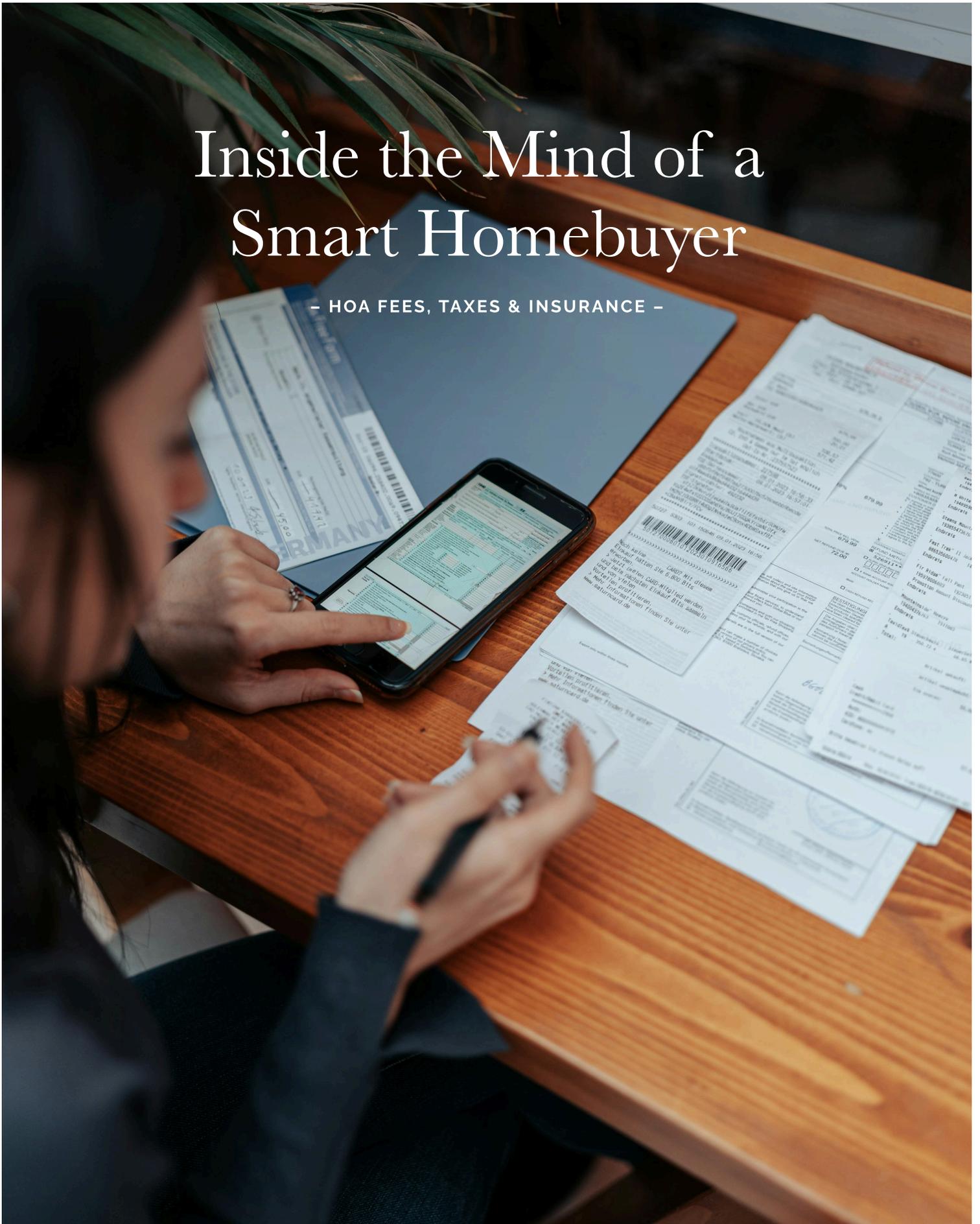


Inside the Mind of a Smart Homebuyer

- HOA FEES, TAXES & INSURANCE -





The Questions That Matter

Buying a home is a major life decision. Home buying may take 6 months or more, so you need to make sure this decision fits in with your personal plans and goals.

Recently, we have provided you with a list of key areas for you to think about as you start your homebuying journey, and some answers.

Last week, we covered some key questions to help you assess the condition of a property and identify potential issues before they become costly and disruptive. Feel free to check it out!

This week, we will focus on understanding HOA fees, taxes, and insurance and how these ongoing costs may affect affordability.

Could HOA fees, taxes, or insurance costs increase in ways that strain my budget?

Yes, these costs are not fixed forever, but understanding how and why they change can help you plan ahead and avoid financial surprises.

HOA Fees

HOA fees can rise due to:

- Inflation and rising service costs (landscaping, maintenance, utilities)
- Insurance premium increases for the HOA itself
- Major repairs or deferred maintenance
- Reserve fund shortages
- New amenities or upgrades
- Special assessments (one-time charges for large expenses)

To avoid getting caught off guard, here are some questions you should ask:

- How often have HOA fees increased in the past?
- Are there upcoming major projects planned?
- Is the reserve fund adequately funded?

Property Taxes

Property taxes may increase because of:

- Reassessment after purchase (common in many areas)
- Local tax rate changes
- Voter-approved bonds or levies
- Home improvements or additions that raise assessed value
- Expiring tax exemptions

To avoid getting caught off guard, here are some questions you should ask:

- Will my taxes reset based on the purchase price?
- What is the historical trend of tax increases in this area?
- Are there upcoming local measures affecting taxes?

Insurance Costs

Insurance Premiums may fluctuate and can rise due to:

- Increased rebuilding costs or inflation
- Natural disaster risk (fire, flood, storm exposure)
- Changes in insurance market availability
- Claim history in the area
- HOA master policy changes (for condos/townhomes)

To avoid getting caught off guard, here are some questions you should ask:

- Can I get an insurance quote specific to this address?
- Have premiums increased significantly in recent years?
- Are special policies required (fire/flood/earthquake)?

What do the HOA dues cover?

HOA dues vary from one community to another, so it's important to carefully review what services are included in yours. It's also important to remember that HOA fees are not just fees, but are rather a shared responsibility for future maintenance. Their main function is to help protect property value and reduce unexpected costs.

With that said, most HOA fees cover the following:

Maintenance & Upkeep of Common Areas

- Landscaping and gardening
- Exterior building maintenance (for condos/townhomes)
- Roof repairs or replacement (sometimes)
- Parking areas, sidewalks, and shared spaces
- Cleaning and trash management

Amenities

- Pools and spas
- Gyms or fitness centers
- Clubhouses or event spaces
- Playgrounds or parks
- Security gates or concierge services

Reserve Fund Contributions

HOA dues help build savings for future major expenses:

- Roof replacement
- Exterior painting
- Structural repairs
- Large infrastructure projects

Are there HOA rules or restrictions I should know about?

Before buying, ask these questions to understand how HOA rules may affect your lifestyle and future plans.

Can I review the CC&Rs (Covenants, Conditions & Restrictions)?

These documents outline:

- What you can and cannot change about your home's exterior
- Approval requirements for renovations or upgrades
- Community appearance standards
- Rules governing shared spaces

Are there rental or occupancy restrictions?

Some HOAs limit:

- Short-term rentals (Airbnb/VRBO)
- Minimum lease lengths
- Number of rental units allowed
- Occupancy rules or guest policies

Are there pet restrictions?

Ask about:

- Number of pets allowed
- Breed or size limitations
- Noise or nuisance policies
- Leash or common area rules

What are the parking and vehicle rules?

Common restrictions include:

- Assigned or limited guest parking
- RV, boat, or commercial vehicle restrictions
- Garage usage requirements

What lifestyle or community rules should I expect?

These may include:

- Quiet hours
- Event or gathering guidelines
- Smoking policies
- Trash and recycling procedures

How are rules enforced and what are the penalties?

Understand:

- Fine structures for violations
- Enforcement consistency
- Architectural approval processes
- History of rule changes or disputes

How much are the annual property taxes?

Understanding property taxes means looking beyond the current tax bill and estimating what you are likely to pay after purchasing the home. In many cases, taxes are reassessed based on the new purchase price, which can significantly change your annual cost and monthly budget.

What to Ask And Who to Ask

- 1. What are the current annual property taxes, and what will they likely be after I purchase the home?**
 - a. The seller's current tax amount may be lower if they purchased it years ago. Ask your real estate agent or mortgage lender to estimate taxes based on your expected purchase price so you understand your true monthly obligation.
- 2. Will the property be reassessed after closing, and how does reassessment work in this area?**
 - a. Reassessment rules vary by location. Your agent or the county assessor's office can help you understand how ownership changes may affect your tax bill.
- 3. Are there additional taxes or special districts attached to the property?**
 - a. Some homes include extra charges for local improvements, bonds, or community services. Review the preliminary title report with your agent or escrow/title company to identify any additional obligations.

What type of homeowners insurance is required?

Understanding the type of insurance required helps you avoid coverage gaps and unexpected expenses, since policies vary based on property type, location risks, and lender requirements.

What to Ask And Who to Ask

1. What type of policy is required for this property?

- a. Confirm with your lender and insurance agent whether you need a standard homeowners policy, a condo (HO-6) policy, or another specialized form of coverage. Loan requirements and property structure influence both coverage expectations and monthly costs.

2. What does the HOA's master insurance policy cover (if applicable)?

- a. Ask the HOA or property manager for details about what is covered at the community level versus what must be insured individually. Understanding these distinctions helps prevent assumptions that could leave you underinsured.

3. Are additional policies recommended due to location risks?

- a. Speak with your insurance agent about whether wildfire, flood, earthquake, or other hazard-specific coverage is advisable. Standard policies often exclude certain risks, and identifying these early helps ensure you are fully protected and financially prepared.

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