

The Mortgage Messenger

February is here. The holidays are over and winter has truly set in. The end of January also brings something else: tax season. April 15 is right around the corner. W-2s are in the mail and accountants are warming up their calculators. To help you get into the season, this edition of the Mortgage Messenger brings you a few tax-related issues. Bundle up and keep warm and call Perennial Mortgage for all your home financing needs!

Sincerely,

Heidi Snow, President

hsnow@perennial-mortgage.com

Client Comment Corner

"Always there for you' is definitely a good description of Perennial Mortgage." Leslye P., Albuquerque, NM

"Karen was the most clear and optimistic loan officer I've dealt with. She was able to get us into our new home despite the complexity of my financial picture." Stacy J., Albuquerque, NM

"Thanks for making our refinance so easy!" Stephanie A., Corrales, NM

Tax Shock!

Assessing in the Dark. Until recently, county assessors had to assess property values without knowing the sales price or anything else about a property. As a result, most homes were under-assessed. In January 2005 a new law went into effect requiring title companies to report to the assessor the sales price on transactions they closed. Sales data have finally started to trickle into tax bills—but only on those properties that have changed hands.

Payment Shock! I received a call recently from a client who purchased her home for \$318,000 in the fall of 2005. Her property tax bill had suddenly increased more than 50%. In 2005, the property was under-assessed at \$137,600 and the annual tax bill was \$1751. Imagine her surprise when the tax bill for 2006 came in at \$3719 – more than double the year before. The mil levy (the tax rate per \$1,000 in value) hardly changed over that period (from 38.189 to 38.116) so the increase resulted only from an increased assessed value to \$292,800.

After receiving that call I looked at other purchase transactions from 2005. Based on a sample of 16 purchases, tax increases ranged from 11% to 49%. Ten of them had increases greater than 30%. A survey of property taxes for homes that didn't change hands showed increases of 1.7%-2.8%.


Fairness & Equity This increase is unfair despite the fact that the assessed value is still less than what she paid for the home. It's unfair because owners of similarly valued homes that haven't changed hands are paying far less. Owners of homes that are

worth more, but are under-assessed, get away without paying their fair share.

State law limits tax increases to 3% per year . . . unless a property changes hands. This helps individuals on fixed incomes who live in a home for many years from being driven from their homes by skyrocketing property taxes when homes appreciate. That is a worthy goal. But the government is getting a big windfall on the backs of new homeowners while those who don't move continue to have assessed values that are 10, 20, even 50% less than their neighbors.

Home buyers, especially first timers, often stretch to afford their house payments. Over time, as their income increases, they grow into their payment. A huge tax increase the year after they purchase their home is a big shock and could result in foreclosure. If homeownership is a goal that governments want to nourish, the property tax system should be fair and equitable, and reasonable caps should be in place to prevent payment shock.

Accurate assessments for ALL homes will make the system more equitable and, perhaps allow governments to actually reduce the mil rates. With existing caps it will take a long time for homes that aren't sold to catch up to those that are. Perhaps caps on increases in the year after homes are sold are in order?


A letter on this issue from State Senator Mark Boitano appeared in the [Albuquerque Journal](#) on Monday, January 22, 2005. He recommends maintaining the 3% cap even on properties that change hands. The legislative session ends March 17, 2007. Sen. Boitano can be reached at boitanom@aol.com or 505-986-4366. 

Use Tax Refund to Buy a Home

Are you getting an income tax refund? Financial planners frown on it because you've let the government keep too much of your hard earned money. But many people like getting a refund on their income taxes. Sometimes it's a pretty big windfall -- \$1,000, \$2,000, \$5,000!

Is it burning a hole in your pocket? You could run out and buy an HDTV or go on a trip or save it. One way of saving it is investing it in the purchase of a new home. That small investment can grow into something big – and you have to live somewhere, right? Why not own your own home?

With today's easy 100% financing programs you can get into a home for very little money out of pocket. Every month we help home buyers purchase homes. Many of these buyers are putting no money down and typically have less than \$2000 into the transaction at closing.

Two-thousand dollars! Is that about how much you're getting back on your taxes?! Why don't you use that tax refund to buy a new home? Call us to find out how easy it can be! 

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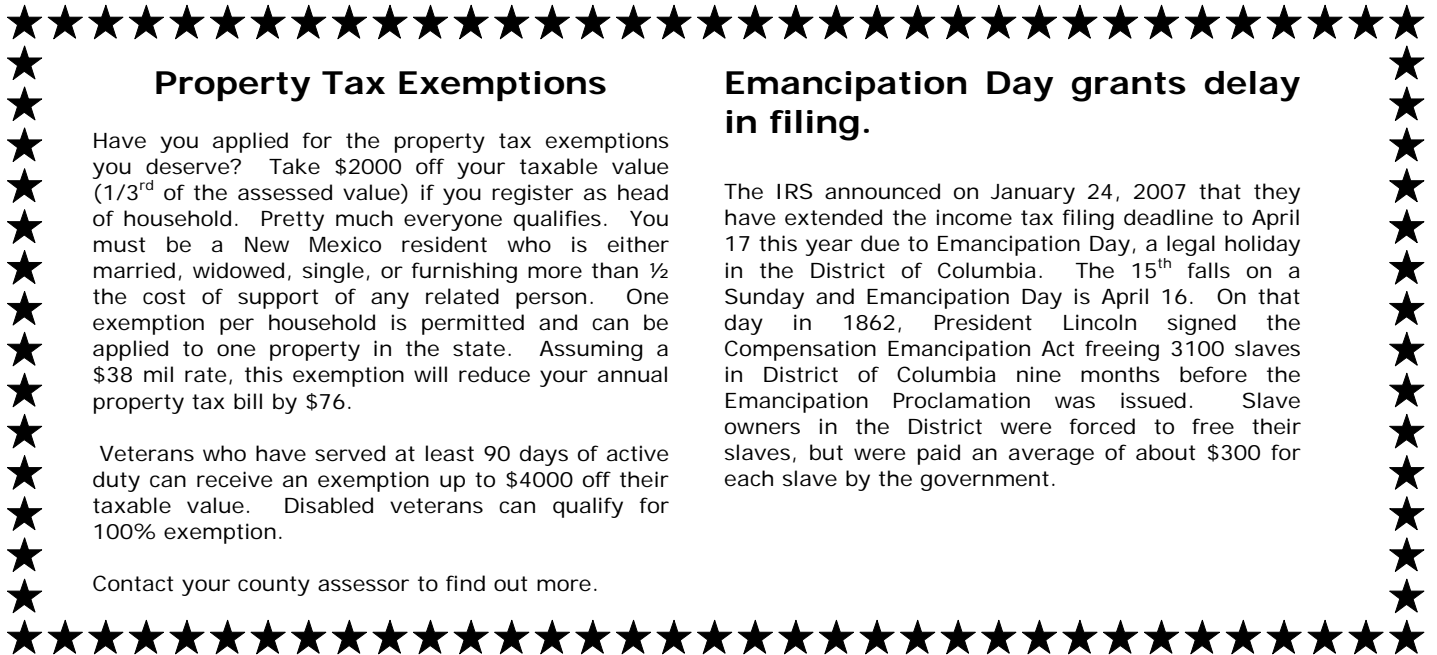
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Property Tax Exemptions

Have you applied for the property tax exemptions you deserve? Take \$2000 off your taxable value (1/3rd of the assessed value) if you register as head of household. Pretty much everyone qualifies. You must be a New Mexico resident who is either married, widowed, single, or furnishing more than 1/2 the cost of support of any related person. One exemption per household is permitted and can be applied to one property in the state. Assuming a \$38 mil rate, this exemption will reduce your annual property tax bill by \$76.

Veterans who have served at least 90 days of active duty can receive an exemption up to \$4000 off their taxable value. Disabled veterans can qualify for 100% exemption.

Contact your county assessor to find out more.

Emancipation Day grants delay in filing.

The IRS announced on January 24, 2007 that they have extended the income tax filing deadline to April 17 this year due to Emancipation Day, a legal holiday in the District of Columbia. The 15th falls on a Sunday and Emancipation Day is April 16. On that day in 1862, President Lincoln signed the Compensation Emancipation Act freeing 3100 slaves in District of Columbia nine months before the Emancipation Proclamation was issued. Slave owners in the District were forced to free their slaves, but were paid an average of about \$300 for each slave by the government.



You Think You're So Smart!

Each of these boy's names except one can be anagrammed into a common English noun. Which name cannot be made into another word, and what are the anagrams for the others?

CORNELIUS DANIEL CAMERON
 THOMAS BOSWELL

If you want to see if your answer is correct, or you can't figure it out and want to know the answer, email or call Roger Kennett (our resident "Mensa Dude") at rkennett@perennial-mortgage.com or 888-9500.



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