

Around the House

December 2009

Points of Interest...

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Tips on Showing Your Child How to Use Credit Wisely

Starting in February 2010, persons under the age of 21 will no longer be able to get a credit card WITHOUT an adult co-signer – or PROOF that they have the income to repay the credit card.

In the past, credit card companies rushed to college campuses (even some high schools) to sign up students who had no visible means of ever repaying the credit card. Since they had no income to even make the minimum payments—it's ruined their credit for many years to come.

Ideally, you might want to start the process when your child reaches age 16.

Even if you consider co-signing a credit card for your child, there are a couple of steps you can take so make sure they understand how to use credit cards wisely.

Step 1 – Open up a checking account and ask for a debit card to include with the account. Review how much is in the account, how much they have to spend and talk with them about overdraft fees if they take out more money than is in the account. If they manage that responsibly for 6 months (to a year), go to the next step.

Step 2 – Add your child as an “authorized user” to YOUR credit card account. He or she will get a credit card with their name on it and they will start to establish their own credit history. Set a limit. Determine who will pay for the charge and how. Do that for 6 months or more and if they don't comply remove them from the card and have a good heart-to-heart talk about spending, budgeting and credit scores.

Step 3 – If they have demonstrated that they can handle a credit card responsibly, you might want to co-sign on the credit card with them. Make them accountable. Ask them to share the charges and repayment terms with you. Create a User Name and Password so you can also watch what's happening online. Show them how to do the same.

Remember, as a co-signer, you are on the hook too and if they fail to make payments, it reflects on your credit too.



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Things to Consider When Lending Money to Family Members

Do you have a family member who has asked you for a loan? Banks aren't lending money like they used to. Credit card companies are charging exorbitant interest rates. Home equity loans are almost non-existent.

You may be their last resort!

But, there is a right way and a wrong way to lend money to family members. First the wrong way:

- You can't afford to lose the money if they don't pay you back.
- It destroys a family relationship (not just with them but with other family members) if they don't pay you back.
- Based on the family member's history, they are irresponsible and have never paid anybody back.
- You feel "guilty" about THEIR situation.
- If your spouse (or other family members) objects to you lending the money.

The bottom line: Don't lend the money! Don't get personal either. Just tell them that due to the economy, YOU cannot afford to lend them the money at this time!

Next, the right way! If you feel that they are responsible and that they WILL pay you back, pretend you are a lending institution and make them go through the same things that a bank would make them go through.

- Ask them to get a current copy of their credit report and to share it with you. (Look for late payments, collections or judgments at the end of the report.)
- Ask for written details on how they plan to pay you back. (This may include how much money they are making now and what bills they are paying—which you can cross-reference with the credit report.)
- Prepare a promissory note with repayment terms, and interest rate and be sure to include a late fee penalty if they don't make their payments on time.
- Have the paperwork signed and notarized. Have 2 witnesses sign it as well.

Check out the IRS Rules – You will have to report the income from the interest you receive each year. Even if you DON'T charge interest, the IRS says that you HAVE to report a minimum rate on your income tax returns. Go to IRS.gov and type in "Index of Applicable Federal Rates", and it will give you the minimum rates that you will have to report.

Check out this Website – www.LoanBack.com. It costs \$30 but it will help you with an online repayment calculator and repayment forms. You can also set it up so an email is sent to your family member that shows a payment will be due and on what date.



Appeal Your Property Tax Bill the Smart Way.

Have you found that the value of your home has decreased—but your property taxes have not? When property values increased, the assessor's office was quick to raise your taxes, right?

So why are they reluctant to decrease your taxes? Because they need the money, too!

That's why it's not going to be easy. But there are usually laws in place when it comes to how property is valued and what steps you need to take to dispute the assessed value of your home and get your property taxes reduced.

1. Timing is Everything – After you receive your assessment notice OR tax bill, you have a certain length of time to appeal and state your case. If your taxes are paid through your mortgage escrow account (and you don't get a copy), call and ask for one.
2. Learn the Rules – Is there a “percentage or dollar” limit (set by law) that your tax assessor has to follow before you can appeal? What is the length of time after you receive your notice to dispute your taxes? What documentation do they require from you?
3. Check for Accurate Property Descriptions – Is the square footage correct? How about the number of bedrooms, baths, or lot size? This alone will get your property taxes decreased.
4. Gather Information – Call your Realtor® and find out what homes have been selling for within the last 3 or 4 months. Get at least 5 comparable sales, the sales prices, and when they sold. However, forget about including short sales or foreclosures—they'll just ignore them when it comes time for your appeal. Check and see what your neighbors are paying for taxes! Yes, it's public information.
5. Set up the Appointment—Most assessors require you to present your case in person—and will usually set up a date and time to meet. But be prepared to WAIT for your turn to appeal.
6. Present Your Case – Practice what you're going to say ahead of time—clearly mark the documents you are going to present. Circle the sales prices of the other sold properties. You may even want to create a separate comparison listing all the info on one piece of paper with the supporting documents attached.

Even if you lose, you can “appeal your appeal”! You can file a complaint with your state's property tax court. However, it's easier and cheaper to find a “Property Tax Consultant” (Google it with the name of your city or county). They usually work on a “contingency” basis—where they will ask for ½ of your property tax savings (for one year) if they win.

Hang in there: There is a story about a guy who had a 9pm appointment with the local tax review board but did not get to plead his case until 2 am. He won a substantial decrease—because the assessor was just plain tired!



About Lissette Cancio.....

I am an Experienced Mortgage Broker dedicated to putting my clients FIRST. I strive to build long-term relationships by helping clients achieve their goals and uphold a culture based on integrity and fair dealings. I feel that keeping my clients informed about new loan programs, ways to improve credit, and tips on managing their financial well-being are critical in maintaining good relationships. Once you join my team, you will fully experience what it means to have your needs put first.

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