

# LIBERTY FINANCIAL

A REAL ESTATE LENDING FIRM

## What is Mello-Roos?

When you are looking to purchase a home, it's important to know if there are any bonds or assessments affecting the property tax rate. These special assessments will impact your monthly payment and ability to qualify for a home loan.

When Proposition 13 was passed, annual property taxes in California became limited to 1% of the sales price and could only be reassessed upon transfer. Because of this new law, the state and local governments could no longer afford to fund the infrastructure for new developments. This shortage of funding eventually led to the passage of the Mello Roos Community Facilities Act in 1982.

This new law allowed the entire cost of public facilities to be financed with bonds offered by the cities, counties, and school districts. The repayment of these bonds, generally 20-40 year terms, would be assumed by the buyers in these new communities. Whereas Proposition 13 limited the property taxes to 1% of the sales price or fair market value, Mello Roos could add an additional half to one and a half percent of the sale price to the annual tax bill.

These Mello Roos special taxes are collected with the regular property tax bill and administered by the county. And even though Mello-Roos assessments are included on the property tax bill and are often referred to as taxes, Mello Roos taxes are rarely tax deductible unlike regular property taxes.

When shopping for a home, you need to decide if you want the new communities with all the bells and whistles that Mello Roos assessments generally provide or if you prefer to spend \$25,000-\$75,000 more in sales price and purchase a home without Mello Roos for the same monthly expense.

To find out whether or not a home has Mello-Roos you can contact your realtor or your mortgage professional. You can also go online or call the County Tax Assessor to obtain the information. We are always happy to provide a payment breakdown for you on any new home under consideration.

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