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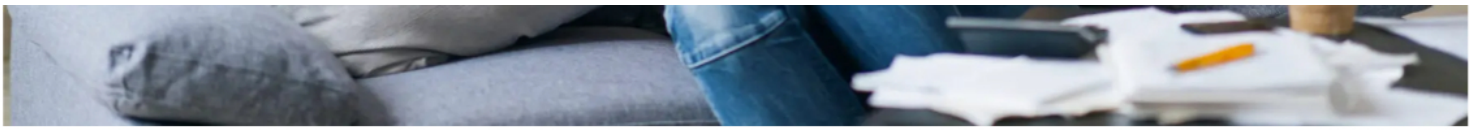
Fixed Mortgage Payments Don't Feel So Fixed Anymore

Rapidly rising insurance costs and bigger property tax bills are catching some homeowners off guard

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Homeowners have to contend with insurance premiums that are rising at least twice as fast as they had in the past. valentinrussanov/Getty Images

If you are one of the vast majority of mortgage holders who pay insurance and taxes along with your loan, your monthly payment may no longer be the fixed overhead cost you've come to rely on.

Rising insurance premiums and/or higher tax bills stemming from the [pandemic spike in property values](#) are becoming quite the shock for some homeowners who had assumed their monthly payment would stay the same, or at least close to it.

"People are finding out that their fixed rate mortgage isn't as fixed as they thought it was," said Bruce Gehrke, a senior director at the market research firm J.D. Power. "In some cases, the increase can be several hundred dollars a month, which is enough to create a budgeting problem for some families."

Homeowners with fixed mortgages pay the same amount in principal and interest each month, but their insurance and tax bills can change every year, affecting the additional amount that's lumped into that payment. So if your annual premiums or the assessed value of your home suddenly go up a lot, a year-to-year change you barely noticed before might become a significant new financial burden.

Take a monthly payment of \$2,200, for instance. Let's say principal and interest is \$1,400 of that, and another \$800 goes into what's known as an escrow account — \$600 for taxes (\$7,200 a year) and \$200 for insurance (\$2,400 a year). Then say your property tax bill goes up 3% and your insurer raises your premiums by 25%. Suddenly, that's another \$816 a year, or \$68 a month.

Insurance premiums, for one, have [risen a lot more rapidly over the past year or two](#), driven by more frequent [natural disasters](#) and rising inflation and construction costs. Various measures show average annual rate increases at least [doubling](#) from their typical pace prior to 2022 or 2023, and there's huge variation by state.

According to research by S&P Global Market Intelligence, for instance, the average gain nationally [so far this year was 8.8%](#), but in Arizona, Texas and Illinois, the increases were at least twice that, and in Hawaii, Vermont and New Jersey they were under 3%. Farmers and USAA imposed the biggest increases overall, each raising rates in over 40 states by an average of more than 14%, S&P said.

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A separate analysis of policies renewed with the online insurance marketplace Policygenius showed premiums in the 44 states examined rose [an average of 21%](#) between May 2022 and May 2023 — up from 12% between May 2021 and May 2022 — with prices in hurricane-prone Florida leading the pack at 35%.

“[Depending on where you live](#), your monthly payment could be going up a little or it could be going up so much that it will be shocking,” said Mark Goldman, a mortgage loan officer with C2 Financial Corp. in San Diego.

Property tax bills are also vulnerable to increases, given houses are selling for [45% more than they were at the start of the pandemic](#), on average. Even though prices aren't rising nearly as fast as they were in 2020 and 2021, tax bills are based on a local taxing authority's assessed value, which may lag changes in a home's actual market value.

"We've seen across the board that property values are up, so the tax liability that goes with that will grow as well," said Gehrke.

Nationwide, the average property tax bill on a single-family house has been rising for years, though so far not that much more since the pandemic, figures from the real estate data company ATTOM show. In 2022, the average bill rose [\\$116, or 3%, to \\$3,901](#). That compares to 1.8% in 2021, 4.4% in 2020 — when prices first shot up — and an average of 2.6% between 2017 and 2019.

The findings of an annual J.D. Power survey suggest more mortgage holders are seeing some kind of increase in their escrow payments, though they don't indicate how much bigger the payments are getting: Earlier this year, 56% of borrowers reported an increase, up from 51% in 2022, 49% in 2021, and 52% in 2020, according to Gehrke.

If you do find yourself surprised by an escrow increase, one silver lining may be your mortgage rate, if you were one of the many Americans who bought or refinanced in 2020 or 2021, before they [spiked](#).

Because rates fell to record lows during the pandemic, almost two-thirds of loans carry rates of 4% or less, according to Freddie Mac. And even a 2% change in rate

could shave \$400-\$600 off your monthly payment, depending on the size of your mortgage.

If you have an escrow account, your mortgage company will store your monthly contributions until your insurance and tax bills are due. People who don't escrow still have to pay those bills, but they do it themselves.

Most people who make these payments — what's known as PITI payments (which stands for Principle, Interest, Taxes and Insurance and pronounced "pity") — will see any changes to their monthly amount when they have their annual escrow analysis.

In some states, regulators require that analysis at a set time every year, and for other borrowers, it will be on the anniversary of when they signed their mortgages, according to LaQuanda Sain, executive vice president of servicing for Rocket Mortgage.

Your mortgage company should be able to tell you when yours is.

A few bits of advice from Gehrke: If you have set it up so there's one amount automatically deducted from your bank account every month, you could wind up with a late fee because your payment is short.

But if you give your bank information to the mortgage company, the company can change the withdrawal amount, he said. Just make sure you have enough in your account to cover a bigger payment.

However you stay on top of it, make sure you don't fall short. That can ding your credit score.

Correction: A previous version of this story contained a math error. In the example, a 3% increase in the property tax bill and a 25% in the insurance premiums would equate to another \$816 a year, or \$68 a month.

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