



Home-Buying Process

Costs and Coverage

Home-Buying Process: Costs and Coverage

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Numerous companies sell homeowners insurance and prices vary among policies. It pays to shop around and get at least three price quotes from companies and agents. Be sure when comparing rates that you consider the coverage options of each. Determine the similarities and differences among offers and decide which policy offers the most benefits. When trying to get the right insurance coverage at the lowest price keep the following in mind:

Take the highest deductible you can afford

The higher the deductible, the lower the premium. Since most people only file a claim every eight to 10 years, you will save money over time and reserve your insurance for when it is really needed. However, in your spending plan you should set aside the deductible as part of your emergency savings fund.

Ask about available discounts on:

- Multiple policies (house, car or other policies with the same company)
- Smoke detectors
- Fire extinguishers
- Sprinkler systems
- Burglar and fire alarms that alert an outside service
- Deadbolt locks and fire-safe window grates
- Age (55 years old and/or retired)

- Long-time policy holder
- Upgrades to plumbing, heating and electrical systems
- Earthquake retrofitting to make the house safer
- Wind-resistant shutters

Get enough insurance

Take the time to properly insure your house. Be sure to have enough coverage to:

- Completely rebuild the house in the event it is destroyed by fire or other insured disaster
- Replace everything in it
- Protect yourself by including enough liability insurance in case someone is injured on your property and sues you.

Ask about additional coverage such as:

- Replacement cost coverage for possessions
- Extended or guaranteed replacement cost coverage for the structure
- Building code upgrades
- Sewer and drain back-ups
- Inflation guard
- Umbrella coverage for a pool or other high-risk item
- Special riders for jewelry, collectables and expensive items

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Flood, windstorm and earthquake risk

Damage caused by flooding, earthquakes and windstorms is not covered by standard homeowners insurance policies. Instead, homeowners will need to purchase additional insurance for these risks.

In New Mexico, rainfall usually does not cause flooding, however, floods can occur. Property owners should have flood insurance if their home is in a flood hazard zone. Flood insurance is available through private insurance agents, but is funded by the Federal Emergency Management Administration, which administers the National Flood Insurance Program. When you buy property, the real estate professional can check with the city or county government to determine if the property is within a flood hazard boundary and whether you need to purchase flood insurance. Each community – city or county – has a flood plain manager who is a member of the New Mexico Flood Plain Management Association. For more information, contact the New Mexico State Climate Center at (505) 646-6041 or visit their Web site at www.weather.nmsu.edu. They also provide information about the National Flood Insurance Program.

Certain areas of New Mexico are more susceptible to windstorm and hail damage. Windstorm and hail damage coverage is usually included in most common insurance policies, however, due to the location and susceptibility of your house, the deductible can vary. Other areas, such as coastal states, will have a sizeable windstorm deductible, which means the homeowner may be responsible for thousands of dollars of damage before the insurance company pays. It is important to know what is in your policy.

Private insurance companies offer earthquake insurance. If you live in an area where there are earthquakes, coverage is available through state programs and the private market. It can be expensive and may come with a high deductible.

Household Property Inventory

When you become a homeowner, do not underinsure your personal property just to save a little money. It is important to buy the coverage in your homeowner's policy that protects what you have. To figure out how much insurance is needed, make a written inventory of clothing, jewelry, electronic gear, books, CDs and other household goods. Write the name, cost, purchase date, model and serial number on the inventory. If you use a credit card for most purchases, check past statements for prices and dates. If you pay by check, consult your checkbook register or carbon check duplicates. If you do not have cost and date information, make estimates of the cost and approximately when you think you bought it. Clothing and furnishing catalogs can help in the estimating process.

If you are comfortable with computers, use the Household Property Inventory spreadsheet to list the things you own. Just save it to your computer or a disk. You can change the row headings to fit your needs. For example, you can change "mirror" to "antique wall mirror" in the Living/Family Room section. Make room for additional property by inserting extra rows as needed. For instance, you can add several rows and create a new section for a family room that is separate from the living room.

The total calculated value will give a good estimate of how much coverage to include in your homeowner's policy and can be helpful if you file a claim. You can support the inventory with a video or photographs of your personal property. Keep this initial inventory, video or photographs in a safe place with a friend or family member just in case. Keep a copy of the inventory handy so you can update it as you buy new things and get rid of items you no longer need. Keep receipts for expensive items. Once or twice a year, copy the updated list and make a new video as needed.

Household Property Inventory Spreadsheet

Living/Family Room	Date Purchased	Purchase Price	Model Number	Serial Number
Rugs				
Curtains/Drapes/Sheers				
Sofa				
Chairs				
Coffee Table				
End Tables				
Occasional Tables				
Art Work/Photos				
Wall Hangings				
Mirrors				
Floor Lamps				
Table Lamps				
Writing Desk				
Piano				
Musical Instruments				
Clocks				
Planters/Plants				
Magazine Rack				
Bookcases				
Book Collection				
Accessories				

Household Property Inventory Spreadsheet (Cont.)

Kitchen/Laundry	Date Purchased	Purchase Price	Model Number	Serial Number
Table				
Chairs				
Curtains				
Refrigerator				
Freezer				
Dishwasher				
Range				
Microwave				
Small Appliances				
Radio/Television				
Clock				
Dishes				
Cutlery				
Flatware				
Pots/Pans/Skillets				
Utensils				
Bowls				
Kitchen Linen/Towels				
Washer				
Dryer				
Step Stool				
Drying Racks				

Household Property Inventory Spreadsheet (Cont.)

Home Office	Date Purchased	Purchase Price	Model Number	Serial Number
Computer Desk				
File Cabinet				
Bookcases/Storage Units				
Laptop/CPU				
Keyboard/Mouse				
Printer				
Speakers				
Wireless Hub				
Storage Devices				
Computer Disks				
Books/Manuals				
Software Packages				
Home Theater	Date Purchased	Purchase Price	Model Number	Serial Number
Television				
Video Tape Player				
Stereo/Radio Receiver				
Satellite Receiver				
DVD Player				
CD Player				
External Speakers				
MP3 Player				
Bookcases/Storage Units				
Records/Audio Tapes				
Video Tape Collection				
CD Collection				
DVD Collection				

Household Property Inventory Spreadsheet (Cont.)

Other Electronics	Date Purchased	Purchase Price	Model Number	Serial Number
Radios				
Televisions				
Video Camera				
Camera				
Master Bedroom	Date Purchased	Purchase Price	Model Number	Serial Number
Rugs				
Curtains/Drapes/Sheers				
Bed				
Mattress/Springs				
Night Stand				
Chairs				
Dressers				
Dressing Tables				
Lamps				
Mirror				
Cedar Chest				
Sewing Machine				
Sewing Table				
Desk				
Clocks				
Radio				
Television				

Household Property Inventory Spreadsheet (Cont.)

Master Bath/Closet	Date Purchased	Purchase Price	Model Number	Serial Number
Bath Linen				
Bed Linen				
Clothes Hamper				
Shower Curtain				
Personal Care Appliances				
Scale				
Shoe & Belt Racks				
Clothing				
Shoes				
Bedroom Two	Date Purchased	Purchase Price	Model Number	Serial Number
Rugs				
Curtains/Drapes/Sheers				
Bed				
Mattress/Springs				
Night Stand				
Chairs				
Dressers				
Dressing Table				
Lamps				
Mirror				
Cedar Chest				
Desk				
Clocks				
Radio				
Television				

Household Property Inventory Spreadsheet (Cont.)

Closet	Date Purchased	Purchase Price	Model Number	Serial Number
Shoe & Belt Racks				
Clothing				
Shoes				
Bedroom Three	Date Purchased	Purchase Price	Model Number	Serial Number
Rugs				
Curtains/Drapes/Sheers				
Bed				
Mattress/Springs				
Night Stand				
Chairs				
Dressers				
Dressing Table				
Lamps				
Mirror				
Cedar Chest				
Desk				
Clocks				
Radio				
Television				
Closet	Date Purchased	Purchase Price	Model Number	Serial Number
Shoe & Belt Racks				
Clothing				
Shoes				

Household Property Inventory Spreadsheet (Cont.)

Bathroom	Date Purchased	Purchase Price	Model Number	Serial Number
Bath Linen				
Bed Linen				
Clothes Hamper				
Shower Curtain				
Personal Care Appliances				
Scale				
Hobby/Recreation	Date Purchased	Purchase Price	Model Number	Serial Number
Special Equipment				
Special Storage				
Collected Items				
Fishing Gear				
Hunting Gear				
Garage	Date Purchased	Purchase Price	Model Number	Serial Number
Hand Tools				
Automotive Tools				
Power Tools				
Special Storage				

This resource is one in a series on the Home-Buying Process which include:

Financial Readiness

What Creditors Look For
Finding Mortgage Money
Types of Financial Institutions
Mortgage Options
Down Payment and Closing Costs
Pre-Qualification or Pre-Approval

Factors to Consider in Housing Selection

Personal Needs and Wants
Location
Type and Style of House
Type of Construction
Interior and Exterior Space
Special Needs
Building as an Option

Locating a House

Finding the House
Using Real Estate Professionals
Buying Direct From Owner

The Sales Contract

Components
Acceptance

Home Inspections

Reasons for Home Inspections
Locating an Inspector
What Inspections Include
Limits of Liability

The Mortgage Process

Loan Application Process
Approval or Rejection
The Mortgage Payment

Purchasing Homeowners Insurance

Before You Start Looking for a Home
Stability of the Insurance Company
Costs and Coverage
Customer Service

Warranties

The Closing

Preparation for Closing
Final Walk Through
Closing Day Procedures

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