



You've Inherited a House, Now What?

Losing a loved one is never easy. There are tough decisions to make, including what to do with the property you have inherited.

You probably have questions. We have answers to some of the most frequently asked questions about inheriting a home.

How Does a Mortgage Work on an Inherited Home?

When you inherit a home, what you are getting is the portion of the home that was owned by your loved one. If there are outstanding loans, such as a mortgage or home improvement loan those debts will need to be paid.

It is best to notify the bank as soon as possible to work out revised payment terms. Even while the inherited property is in the estate or trust, mortgage payments will need to be made to avoid late fees, default, or foreclosure.

In many cases, the mortgage lender will allow you to take over the home's payments under the same terms as the previous homeowner. This means that instead of applying for a new mortgage to take over the payments, you'll just have to keep the mortgage current until it's paid off.

There are exceptions such as a "due on sale" clause which may require you to pay off the full amount of the mortgage upon transfer of ownership.

Will an Inherited Home Affect My Taxes?

While Indiana does not currently have an inheritance tax, there are potential estate taxes when the total value of the estate exceeds \$250,000. Which is entirely possible when a home is included in the estate. Those taxes would be payable on transfer of the property.

If you sell a property that has risen in value since you inherited it, you may need to pay **capital gains tax** on the increase in value as well.

What are the Hidden Costs of an Inherited Property?

Even an inherited home that's been paid off could cost you thousands of dollars just to hold on to. For example, keeping a home in good shape comes with a lot of expenses – and potential dangers if the home is left unoccupied.

There are monthly utility bills and general maintenance expenses. You should be prepared to check on a vacant property at least once a month to check for roof leaks, burst pipes, or infestation by bugs or rodents. If the utilities are shut off or maintenance gets ignored, you could lose thousands more by not fixing neglected items in the home, not to mention losing thousands in the home's resale value.

Finally, there are regular expenses such as property taxes, homeowner's insurance and liability insurance which must be paid whether the home is occupied or vacant.

Can I Rent Out the Inherited House?

Most people love the idea of renting out an inherited home to supplement their income or make the mortgage payments. But it's more complicated than you might think. For one, renting out the home now makes you a landlord, meaning you'll be on the hook for damage done by tenants, you may need to serve eviction notices, and the home could be vacant for long periods if you can't find a tenant.

Next, you may have to pay taxes on the income you receive through rental payments. This could have you owing hundreds of dollars in taxes each year alone. Last of all, you'll have to make sure the home is legally safe and livable, which may cost thousands more in repairs and upgrades.

What if the Home is a Joint Inheritance?

Inheriting a home jointly with siblings or other loved ones can make things much more complicated. There may be problems with paying the inherited home's mortgage, deciding who should live in it, or how the home will get taken care of until it's rented or sold.

Here are a few ways to handle a joint inheritance:

Buyout: One person purchases the home from the other homeowners, buying out their share in order to take full control of the mortgage.

Sale: All parties agree to sell the home and split the proceeds.

Rent: The inherited home is rented out and any money left over after paying the mortgage and other expenses is split.

If someone isn't interested in selling the home, decides they want to live there, or doesn't want to deal with renters, you could be faced with a long and complicated process while trying to reach an agreement.

What if I Want to Sell the Inherited Home?

Capital gains taxes aren't the only thing to watch out for when selling a home. Selling through an agent will usually cost you six percent of the selling price – if the home sells at all. There are often expenses to get a home ready to sell. If the home has been neglected for any length of time, you may need to invest thousands of dollars in flooring, painting, and cleaning, just to make the home appealing to buyers.

Is there an Alternative?

Instead of spending thousands of dollars to get a home ready for sale and waiting for an interested buyer, let Apter Properties make you a cash offer in 48 hours or less – even if the home is in bad condition. We can usually close on the home in one week, no pre-approval needed, which quickly puts money in your pocket.