

Understanding Your Escrow Account

What is an escrow account?

An escrow account is established to hold money collected by your lender to pay your hazard insurance, mortgage insurance and property taxes when they become due. This is sometimes called an impound account.

Your monthly mortgage payment includes an amount, approximately 1/12 of the anticipated total annual tax and insurance due. This account may contain a cushion, also referred to as a reserve.

What is a cushion?

The cushion is a required dollar amount to remain in the escrow account to offset unanticipated increases in the property tax amounts or insurance premiums. This amount cannot exceed 1/6th of the total amount of items paid out of the escrow annually.

What is a shortage*?

A shortage occurs when your escrow account does not have sufficient funds to pay for property taxes and/or insurance premiums. Unexpected increases to the items paid through your escrow account can cause a shortage. For example: if property taxes increase from the prior year, your escrow account must fund the full amount due. The difference would be included in the shortage amount. You will have two options to pay the shortage:

1. Pay the shortage amount in one full lump sum. A shortage remittance form will be included with your escrow analysis. Typically, your monthly mortgage payment will still increase but for a lower amount than when choosing option 2.
2. Pay the shortage amount monthly with your mortgage payment. The shortage will be spread over 12 months and added to the monthly payment.

Can the monthly escrow payment still change without a shortage occurring?

Yes. If any annual disbursements change, the monthly collection amounts will be calculated based on the new amounts due.

What is an overage**?

An overage occurs when your escrow account has more funds than required at the time of the analysis. For example: if your insurance premium decreased from the year prior, the premium amount paid would be less than anticipated. The difference would be included in an overage amount. The overage amount will be refunded in one of two ways:

1. If the overage is less than \$50, the funds will be spread out over a period of 1-10 months and be credited to your monthly payment amount. At the end of the credit period, the new monthly payment amount will begin.
2. If the overage is over \$50, and your loan is current a refund check for the overage amount will be included with Annual Escrow Account Disclosure Statement or mailed to you.

- ❖ The overage amount cannot remain in the escrow account or be treated as a prepayment of escrow funds. Real Estate Settlement Procedures Act (RESPA) requires the overage funds to be sent back to you.
- ❖ If your mortgage account is more than 30 days past due, the overage amount will remain in your escrow account. The overage can be released once your mortgage account is current and it has been confirmed that an overage still exists.

How to Read Your Annual Escrow Account Disclosure Statement

An escrow analysis of your escrow account is completed annually to determine if sufficient funds are being collected. You will receive the results of the escrow analysis on an *Annual Escrow Account Disclosure Statement*.

The total amounts anticipated to be paid from the escrow account for the upcoming year.

Your account number and date the escrow analysis was completed.

Breakdown of amounts included in new payment, total new payment, and effective date.

The escrow account projection with anticipated monthly payments to and from your escrow account.

If an escrow shortage* occurs, this remittance form may be used to pay the shortage in full. The shortage may also be spread over 12 months and added to the monthly payment if not paid in full.

If an overage** occurs, a refund check will be attached to the analysis statement.

Annual Escrow Account Statement

YOUR BANK, INC.
1234 ANY STREET, SUITE 1
OUR TOWN, US 12345-6789

ANTICIPATED ESCROW ACCOUNT DISBURSEMENTS
HAZARD INS \$1,089.41
COUNTY TAX \$438.28
Total \$1,119.69

ANNUAL ESCROW ACCOUNT DISCLOSURE STATEMENT
AND CHANGE OF PAYMENT NOTICE PREPARED FOR
ACCOUNT NUMBER 000000000
ESCROW ANALYSIS DATE, 12/09/2014

CLIENT NAME
123 NW AVE
YOUR TOWN, US 12345-6789

NEW PAYMENT IS AS FOLLOWS:
Principal and Interest \$544.01
Required Escrow Payment \$269.98
Shortage/Surplus Spread \$16.14
Optional Coverages
Buydown or Assistance Payments
Other

Total Payment \$829.13
New Payment Effective Date: 03/01/2015

Your Bank, Inc. has completed an analysis of your escrow account, and has adjusted your mortgage payment to reflect changes in your real estate taxes or property insurance. The escrow items to be disbursed from your account over the next twelve months are itemized above.

ESCROW ACCOUNT PROJECTION FOR THE COMING YEAR

The following estimate of activity in your escrow account from 03/2015 through 02/2016 is provided for your information. All payments we anticipate receiving as well as disbursements we anticipate making on your behalf are included, along with the Projected Escrow Account Balance, derived by carrying forward your current actual escrow balance. The Required Escrow Account balance displays the amount actually required to be on hand as specified by Federal law, State law and your mortgage documents, and may include a cushion of up to 1/8th of your Annual Disbursements. Please retain this statement for comparison with the actual activity in your account at the end of the next escrow account computation year.

MONTH	PAYMENTS TO ESCROW ACCOUNT		PAYMENTS FROM ESCROW ACCOUNT					ESCROW ACCOUNT BALANCE	
	MIP/PMI	TAXES	FLOOD	HAZ INS	SPECIAL	PROJECTED	REQUIRED		
12/15						\$1,719.74	\$1,909.47		
JAN	\$269.98					\$1,449.76	\$1,639.49		
FEB	\$269.98					\$1,179.78	\$1,369.51		
MAR	\$269.98					\$909.80	\$1,099.53		
APR	\$269.98					\$639.82	\$829.55		
MAY	\$269.98					\$369.84	\$559.57		
JUN	\$269.98					\$99.86	\$289.59		
JUL	\$269.98					\$169.88	\$19.61		
AUG	\$269.98					\$169.90	\$169.63		
SEP	\$269.98					\$169.92	\$169.65		
OCT	\$269.98					\$169.94	\$169.67		
NOV	\$269.98					\$169.96	\$169.69		
DEC	\$269.98					\$169.98	\$169.71		
JAN	\$269.98					\$169.99	\$169.72		
FEB	\$269.98					\$169.99	\$169.72		
TOTAL		\$438.28		\$1,089.41		\$1,719.74	\$1,909.47		

*Indicates your projected low point of \$326.33. Your required reserve balance is \$819.98. The difference between the projected low point and required reserve balance is \$193.73. This is your shortage.

If you have questions regarding this analysis, please write our Customer Service Department at Your Bank, Inc., 1234 ANY STREET, SUITE 1, OUR TOWN, US 12345-6789 or call toll free 1-800-000-0000, Monday through Friday, 8:00 am to 7:00 pm, CST.

NOTICE TO CUSTOMERS WHO ARE IN BANKRUPTCY OR WHOSE OBLIGATION HAS BEEN DISCHARGED AND NOT REAFFIRMED: TO THE EXTENT YOUR ORIGINAL OBLIGATION WAS DISCHARGED, OR IS SUBJECT TO AN AUTOMATIC STAY OF BANKRUPTCY UNDER TITLE 11 OF THE UNITED STATES CODE, THIS INFORMATION IN THIS STATEMENT IS FOR REGULATORY COMPLIANCE AND INFORMATIONAL PURPOSES ONLY AND DOES NOT CONSTITUTE A DEMAND FOR PAYMENT IN VIOLATION OF THE AUTOMATIC STAY OR THE DISCHARGE INJUNCTION OR AN ATTEMPT TO IMPOSE PERSONAL LIABILITY FOR SUCH OBLIGATION. HOWEVER, CREDITOR RETAINS RIGHTS UNDER ITS SECURITY INSTRUMENT, INCLUDING THE RIGHT TO FORECLOSE ITS LIEN.

ESCROW SHORTAGE REMITTANCE FORM

Name: Client Name
Account Number: 000000000

Escrow Shortage Amount: \$193.73

Your escrow shortage has been spread over a 12 month period, which may result in an increase in your payment. If you choose to pay your Escrow Shortage Amount in a lump sum, please include your account number on your check, and mail this coupon with your remittance to:

Your Bank, Inc.
Attn: Cash/owing Department/Escrow Shortages
1234 ANY STREET, SUITE 1
OUR TOWN, US 12345-6789

Your new payment will then be: \$803.99.

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The second page of the Annual Escrow Account Statement includes an account history detailing actual deposits and disbursements from the escrow account since your previous analysis.

Annual Escrow Account Statement

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ANNUAL ESCROW ACCOUNT DISCLOSURE STATEMENT - ACCOUNT HISTORY

Account Number: 000000000

Name: Client Name

This is a statement of actual activity in your escrow account from 02/2014 through 02/2015. Last year's projections are next to the actual activity. Your mortgage payment for the past year was \$867.70 of which \$544.01 was for principal and interest and \$323.69 went into your escrow account. An asterisk(*) indicates a difference from a previous estimate either in the date or the amount. A "Y" indicates a projected disbursement or payment.

MONTH	PAYMENTS TO PROJECTED	ESC. ACCT. ACTUAL	PAYMENTS FROM PROJECTED	ESC. ACCT. ACTUAL	DESCRIPTION	ESCROW BAL. PROJECTED	COMPARISON ACTUAL
STARTING BAL						\$1,577.35	\$494.39
FEB	\$250.62	\$206.17 *				\$1,827.97	\$700.53
MAR	\$250.62	*				\$2,078.59	\$700.53
APR	\$250.62	*				\$2,329.21	\$700.53
MAY	\$250.62	*				\$2,579.83	\$700.53
JUN	\$250.62	*				\$2,830.45	\$700.53
JUL	\$250.62	*	\$2,479.83	\$2,689.41 *	HOME INS	\$501.24	\$1,988.88
AUG	\$250.62	*				\$751.86	\$1,988.88
SEP	\$250.62	*				\$1,002.48	\$1,988.88
OCT	\$250.62	*				\$1,253.10	\$1,988.88
NOV	\$250.62	*	\$427.58	\$439.28 *	COUNTY TAX	\$1,076.14	\$2,419.16
DEC	\$250.62	\$3,560.59 *Y				\$1,326.76	\$1,141.43
JAN	\$250.62	\$323.68 *Y				\$1,577.38	\$1,465.12
FEB	\$250.62	\$250.62 *Y				\$1,577.38	\$1,715.74
Total	\$3,007.44	\$4,341.07	\$3,007.41	\$3,119.69			

OVER THIS PERIOD, AN ADDITIONAL \$0.00 WAS DEPOSITED INTO YOUR ESCROW ACCOUNT FOR INTEREST ON ESCROW.

Last year, we anticipated that payments from your escrow account would be made during this period equaling \$3,007.41. Under Federal Law, your lowest balance should not have exceeded \$501.24 or 1/6TH of anticipated payments from the account, unless your mortgage contract or state law specified a lower amount. Under your mortgage contract and/or state law, your lowest balance should not have exceeded \$501.24.

Projected
deposits into the
escrow account.

Previously projected
disbursements to be made
from the escrow account.

Projected monthly
escrow balances
after deposits and
disbursements.

Actual deposits
made into the
escrow account.

Actual disbursements made
from the escrow account and
descriptions of payment type.

Actual escrow balance
after all deposits and
disbursements are
completed for that month.