

## ESCROW ACCOUNT / TAX AND INSURANCE ACCOUNT DISCLOSURE STATEMENT FAQ

# What is an escrow account and escrow analysis?

An escrow account is used to hold money collected by your lender to pay your insurance premiums and property taxes when they become due. Your monthly payment includes an amount, approximately 1/12 of the anticipated total annual tax and insurance due. This account also contains a cushion, also referred to as a reserve.

Because your property tax and insurance rates can change over time, so can your monthly escrow payment, so it's important that we perform an annual analysis of your escrow account to make sure you aren't paying too much or too little. In this analysis we review your account for current tax and insurance payments, your escrow account balance, and any recent tax and insurance disbursements that have been made with your escrowed funds. This analysis will inform you if there is a shortage or a surplus in your escrow account as well as any payment changes.

### What is a cushion?

A cushion or reserve is a required dollar amount maintained in your escrow account to cover unanticipated increases in property taxes or insurance premiums. This amount cannot exceed 1/6th of the total amount of items paid out of the escrow annually (required by RESPA).

### What is a deficiency?

A deficiency is when there is a negative balance in your escrow account. Deficiencies can occur when your property taxes or insurances come due and there isn't enough money in your escrow account, so your lender has to pay the difference using their own funds.

#### What is a shortage?

A shortage occurs when the escrow account has insufficient funds to make all the necessary payments for property taxes and insurance. Shortages are caused by unexpected increases to items paid through your escrow account. 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 in your account.

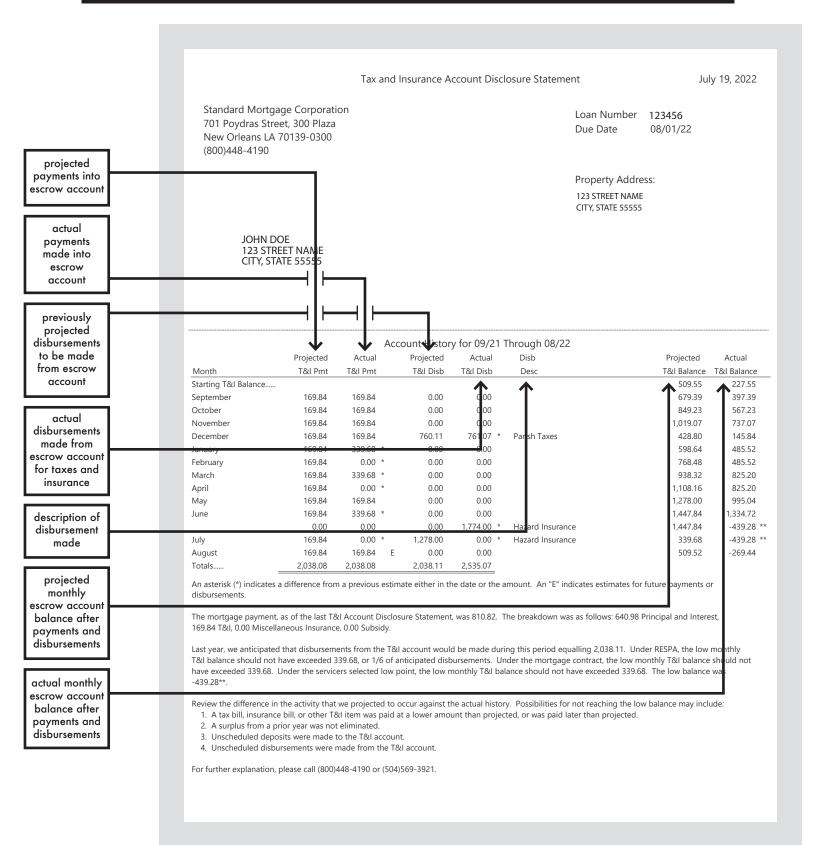
#### What is a surplus?

A surplus is when there is an excess of funds in your escrow account. A surplus may occur when there is a decrease in your property taxes or insurance. If you have a surplus, we will return it to you unless it is less than \$50.00, in which case we have the additional option of retaining it and lowering the monthly payment accordingly

# How do I minimize my payment increase?

If you would like to minimize your monthly payment, the best way is to pay your shortage and/or your deficiency amounts due. This amount can be found on page 4, under "Net Balance". This is the total amount due for both your escrow account shortage and deficiency. If paid, your resulting new payment would be the sum of your Current P&I Payment plus 1/12th of your estimated annual escrow disbursements. Your new T&I Payment noted on the right side of the last page of your T&I Disclosure Statement. Please see page 4 of this FAQ for instructions on how to make this additional escrow payment.

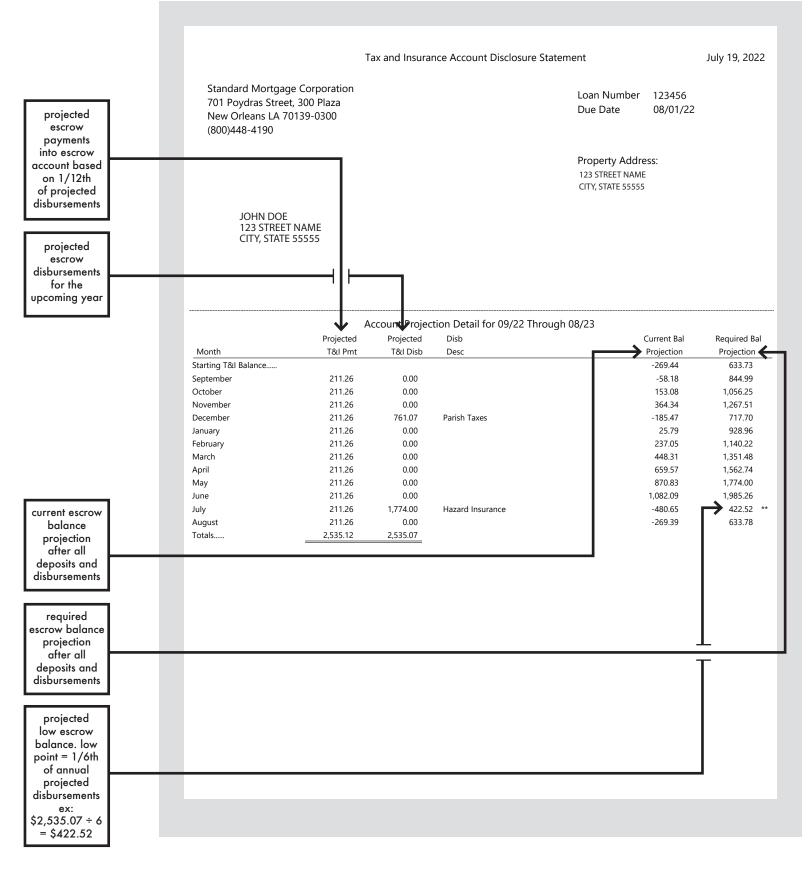
#### HOW TO READ YOUR ANNUAL T&I DISCLOSURE STATEMENT (ESCROW ANALYSIS)







#### HOW TO READ YOUR ANNUAL T&I DISCLOSURE STATEMENT (ESCROW ANALYSIS)







#### HOW TO READ YOUR ANNUAL T&I DISCLOSURE STATEMENT (ESCROW ANALYSIS)

