ESCROW ANALYSIS

Answers to Commonly Asked Questions

What is my Annual Escrow Disclosure Statement?

The statement provides detailed activity of your escrow account. In addition, it provides a breakdown of the new mortgage payment and a description of how the escrow portion is calculated.

The Escrow Disclosure Statement provides you with:

- The projections from the previous year detailing what we expected to pay out of escrow on your behalf for taxes and insurance.
- A statement history detailing the actual activity that transpired in your account. (The statement history includes actual escrow payments and projected escrow payments from your prior analysis, if applicable.)
- A new statement of projected escrow payments to be made from the account over the next year's period. A surplus or shortage may occur if the projections from the last statement were overstated or understated.

Escrow Surplus (Overage)

The amount directly resulting from the projected escrow balance exceeding the required escrow balance. If you have paid more money into your escrow account than is required you may have an "overage." If your escrow account reflects an overage greater than $50 and your loan is current, a refund check will automatically be mailed to you within 30 days. If your loan is not current, an overage check will not be issued. Your file will be reviewed and the refund could be applied to past due payments.

Escrow Shortage

The direct result of required escrow balances exceeding the projected escrow balances. In this event, you do have the option of paying all or part of your escrow shortage. However, your monthly payment may still increase to avoid future shortages. If you should choose to pay off the shortage in full, please advise us at your earliest convenience. Otherwise shortages are spread over 12 months and added to your new monthly escrow payment.

Why did my payment change?

Your payment could have changed for any combination of the following reasons: Your home has recently been re-assessed and the value has changed from previous years; the community in which you live increased property taxes; your homeowner's insurance premium increased or you increased the coverage on your property. Other factors such as Adjustable Rate Mortgage changes or other changes in services will create an entirely new monthly payment now or at a separate date in the future.

How is it possible for my payment to have increased when I received a surplus check?

Any surplus is created when the projected escrow balance exceeds the required escrow balance for the prior 12 month period. This may occur if the tax and/or insurance payments were less than anticipated, or if extra funds were deposited to your escrow account. At the beginning of the new period, if any of the projected tax and/or insurance payments have increased your payment will increase as well.

What is a minimum balance or "cushion amount"?

The minimum balance is the amount of money the bank may require you to hold in your escrow account to ensure that sufficient funds are available to make the necessary payments. You will notice your statement refers to a "cushion" amount. We are allowed by law to retain two months' escrow payments as a cushion to cover unanticipated disbursement from the escrow account. Please note that we have chosen a cushion at approximately one month's escrow payment, which is less than the amount allowable by law.

About the escrow portion of your mortgage payment...

The escrow payment is a portion of the monthly mortgage payment, collected with the normal principal and interest payment, which the bank sets aside to pay the taxes, insurance and other escrow related items on your home loan.

Each year, an escrow analysis is performed on your escrow account. This allows the bank to determine how much the escrow payment should be for the coming year. We are required to do this annually and it is done to ensure you are paying only as much as necessary.

The Real Estate Settlement Procedures Act (RESPA) requires mortgage services to use an aggregate analysis method of accounting. The aggregate method of accounting takes the total, or aggregate annual escrow disbursements and subtracts them from the total annual deposits made to your escrow account. This allows us to determine if the escrow account will have the necessary funds available when escrow payments are due. Mortgage Servicers can also require that a minimum balance be held in the escrow account.