

Getting to know your Escrow Account:



Why did I receive an Escrow Account Disclosure Statement?

At least once a year, we review your Escrow Account to determine if the escrow portion of your monthly payment is sufficient to cover the annual requirements of your Escrow Account. We are required under the Real Estate Settlement Procedures Act (RESPA) to disclose to you in an Escrow Account Disclosure Statement the results of this review and its effect on your monthly mortgage payment. Occasionally, we may provide you with an interim statement if needed.



What is an Escrow Account?

Every time you make a mortgage payment a set amount of your payment (escrow portion) is deposited into your Escrow Account. We maintain this account on your behalf to ensure timely payment of your real estate taxes and homeowners insurance. Any applicable flood insurance and/or mortgage insurance premiums are also paid from this account. In addition to funds to cover these escrow bills, your Escrow Account also holds funds to cover your “required Escrow Account minimum balance”.



What is a required Escrow Account minimum balance and how is it calculated?

Federal law allows us to maintain up to a two month minimum balance or cushion of funds in your Escrow Account. It serves as a safeguard in the event of an increase in your escrow bills. No more than one sixth of your total projected payments (or two months of escrows) for taxes and insurance constitute this cushion unless your mortgage contract or state law specifies a lower amount.

Here are some potential explanations for increases and decreases to the escrow portion of your monthly mortgage payment:



Why do escrow related bills change over time?

Hazard insurance: Insurance premium can change due to changes to your coverage or your rate. Please contact your insurance company or your local insurance agent with questions about changes to your premium.

Real Estate Taxes: Real Estate Taxes can change as a result of your property reassessment, a change in your tax rate, or a special assessment. Please contact your local tax office for any questions regarding changes to your real estate taxes.

New Construction: Typically, the first tax bill for a new construction only covers the lot/land. A subsequent bill is typically higher and is based on the fully assessed value which includes the land and the house.

Initial Escrow Deposit: Prior to closing, the escrow portion of the monthly mortgage payment is calculated based on the information available. Available information is usually an insurance quote or premium amount for existing coverage, and tax bill information from the previous year. This amount may turn out to be more or less than the actual bills, resulting in a change to your monthly mortgage payment.



What happens when my escrows related bills come in lower than expected?

This usually results in a surplus. In case of a surplus, you typically receive a refund check for amounts over \$50.00 and the escrow portion of your monthly mortgage payment is adjusted according to your new escrow bills. Details of these changes are sent to you in your Escrow Account Disclosure Statement. Your loan must be current when the escrow analysis is performed to receive a credit or refund of any surplus funds.



What happens when my escrows related bills come in higher than expected?

This usually results in a shortage. You receive an Escrow Account Disclosure Statement that outlines your payment options to resolve this shortage. Typically, you have two options: 1) Spread your shortage over the next 12 months in addition to adjusting the escrow portion of your monthly payment amount. 2) Pay the shortage in a lump sum and let us adjust the escrow portion of your monthly payment.



Can my payment go up if I pay the shortage in a lump sum?

Yes, it can. Even if you pay the shortage resulting from last year’s escrow payments, an increase in your projected tax bill or hazard premiums for the coming year could result in your payment going up.

Note: CapEd does not control the actual amount of your tax and insurance bills. Please contact your insurance company or your local insurance agent if you have questions about changes to your premium. Please contact your local tax office if you have questions about your tax amount.

If you have further questions regarding your Escrow Account Disclosure Statement, please contact CapEd at (800) 223-7283.

