What is an Escrow Account?

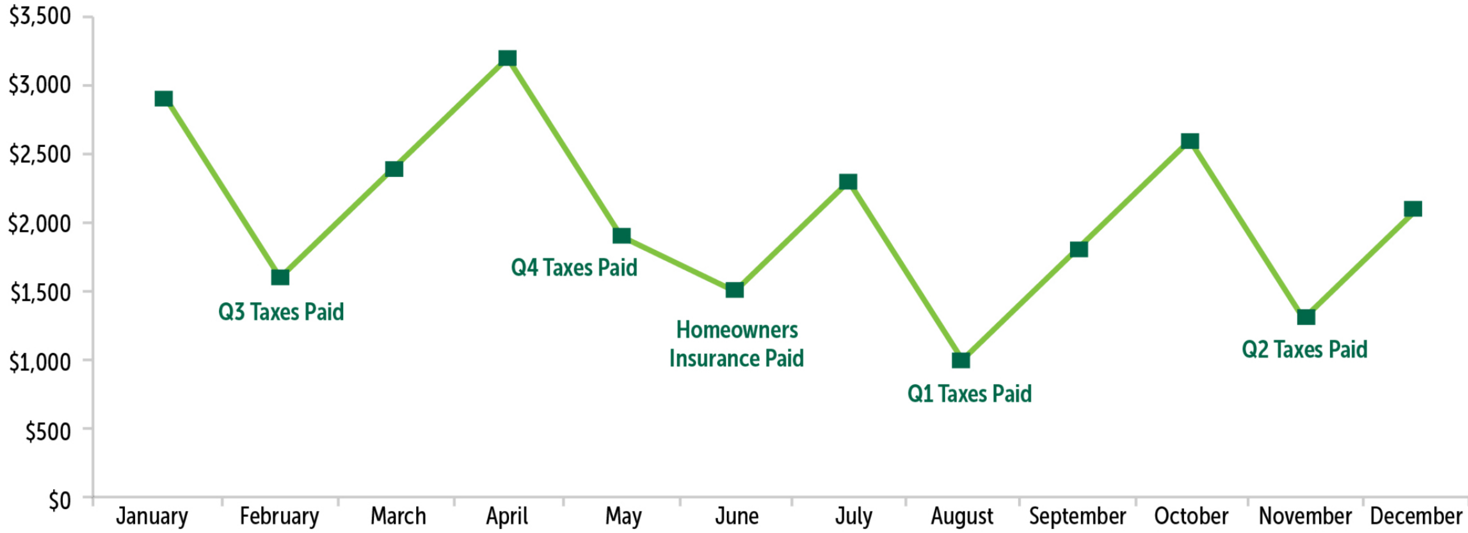
Escrow accounts, also known as impound accounts, are accounts managed by your mortgage servicer to cover recurring expenses for your property taxes, homeowners insurance and other escrow items, if applicable. For escrowed loans, a portion of each monthly payment is deposited in the escrow account.* When taxes or insurance are due, your servicer pays these bills with funds from your escrow account and will reevaluate the escrow account to determine if there is a surplus or a shortage of funds.

Your homeowners insurance renewal is paid annually for the entire year. If your loan is a new purchase, your homeowners insurance is paid for one year when the loan closes. Each month includes a monthly deposit for your homeowners insurance renewal the following year. If your loan is a refinance, the annual premium is not always paid when the loan closes. The policy will be paid at the next renewal date.

At the time of closing, your Initial Escrow Disclosure Statement details the anticipated escrow disbursements in the first twelve months of your loan as well as the amount required for your initial escrow deposit. Some states permit your servicer to maintain a two-month reserve of funds in the escrow account to help buffer against increases in your property taxes and insurance premiums.

Your escrow account balance will fluctuate during the year dependinag on your tax and insurance disbursement cycle.

*Requirements for payments to escrow will be governed by mortgage documents.



Note: Escrow information provided by FIMC Branch 759. Information based on an annual tax rate of $8,400 and an annual insurance premium of $1,200. These numbers are for sample purposes only and may not match your property tax or homeowners insurance situation.