



## Escrow FAQs

### **What is an escrow account?**

An escrow account is an account that is set up to hold funds for the payment of certain expenses related to your home. Typically, an escrow account is used to pay property taxes and homeowner's insurance. When you take out a mortgage loan, you may be required to set up an escrow account as a condition of the loan. You then make monthly payments, which includes an amount for the escrow account. We then use those funds to pay the property taxes and insurance premiums when they become due. Escrow accounts provide a convenient way for homeowners to pay their property taxes and insurance premiums without having to worry about saving up for those expenses separately. We manage your escrow account and ensure that the payments are made on time.

### **What are the benefits of having an escrow account?**

With an escrow account, you can easily budget and plan for your property taxes and homeowner's insurance premiums, as they are included in your monthly mortgage payment. This can help you avoid unexpected bills or late payments. Additionally, by having your property taxes and insurance premiums paid automatically through your escrow account, you can avoid the hassle of having to remember to make these payments yourself. This can save time and reduce stress, particularly if you have multiple bills to manage.

### **How is my monthly escrow payment calculated?**

Your monthly escrow payment is calculated by adding up the estimated annual costs of your property taxes and homeowner's insurance. The total amount is then divided by 12 to determine your monthly escrow payment. Your monthly escrow payment will then be added to your monthly mortgage payment, which includes principal and interest.

It's important to note that the estimated costs used to calculate your monthly escrow payment will change the next time your property taxes or homeowner's insurance are paid, which can result in an adjustment to your monthly payment when an escrow analysis is completed.

### **Why did my escrow payment go up?**

There are a couple reasons why your escrow payment may have increased. Some of the most common reasons include:

1. **Increased Property Taxes:** If the tax rate for your area has increased or if the assessed value of your property has gone up, your property taxes will have increased, which will result in a higher escrow payment.

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2. Higher Homeowner's Insurance Premiums: If your homeowner's insurance premiums have increased, your monthly escrow payment will need to be adjusted to ensure that there are enough funds in the account to cover the increased cost.

### **How can I reduce my monthly escrow payment?**

There are several ways you may be able to reduce your monthly escrow payment:

1. Appeal Your Property Tax Assessment: If you believe that your property tax assessment is too high, you may be able to appeal it and get it lowered. A lower assessment would result in lower property taxes and a lower escrow payment. You can do this by contacting your local tax assessor's office and follow their appeals process.
2. Claim Exemptions or Deductions: Depending on your location and situation, you may be eligible for property tax exemptions or deductions. This could include exemptions for veterans, seniors, or disabled individuals, or deductions for home improvements or energy-efficient upgrades. Check with your local tax assessor's office to see what exemptions or deductions you may be eligible for.
3. Shop Around for Homeowner's Insurance: You may be able to find a lower premium by shopping around for homeowner's insurance. Be sure to compare policies and coverage to find the best deal.
4. Increase Your Deductible: You may be able to lower your homeowner's insurance premium by increasing your deductible. However, be sure to consider the potential costs of a higher deductible in the event of a claim.

### **Can I get rid of my escrow account?**

In some cases, it may be possible to get rid of your escrow account, but it depends on the terms of your mortgage agreement. Typically, you are required to have an escrow account, especially if the down payment on your home was less than 20% of the home's value. This is because an escrow account provides a level of security, as it ensures that property taxes and homeowner's insurance are paid on time.

The requirements to waive an escrow account can vary depending on the terms of your mortgage agreement. However, there are some general requirements that are commonly used:

1. Loan-to-Value (LTV) Ratio: You may be required to have a minimum LTV ratio of 80% or less, which means that you have at least 20% equity in your home.
2. Payment History: You may be required to have a good payment history on your mortgage, including no missed payments or late payments within the past 12 months.

If you are interested in getting rid of your escrow account, you should contact us and ask for the requirements specific to your loan. Keep in mind that if you can remove your escrow account, you will be responsible for paying property taxes and homeowner's insurance on your own. This means you will need to budget accordingly and make sure you have enough money set aside to cover these expenses when they come due.

**What is an Escrow Analysis?**

An escrow analysis is a review of the escrow account to ensure that enough funds are being collected to pay for your property taxes and homeowner's insurance. An escrow analysis is conducted once a year per regulatory requirement.

During an escrow analysis, we review your escrow account and assess whether the amount collected from your monthly mortgage payment is sufficient to cover the expected expenses for the next year. This includes reviewing the current property tax and insurance amounts, as well as any changes in these amounts that may have occurred.

If the analysis shows that there is an escrow shortage or surplus, we will notify you and make any necessary adjustments to your monthly mortgage payment. If there is a shortage, you will need to make up the difference. This can be done through a lump sum payment, or through an increase in your monthly payments over 12 months. If there is a surplus, you will receive a refund.\*

It's important for you to review your escrow analysis and understand how your monthly mortgage payments are being allocated to your escrow account. You can contact us if you have any questions or concerns about your escrow analysis or account.

**What is an escrow shortage?**

An escrow shortage occurs when there is not enough money in your escrow account to cover the required payments for property taxes and/or homeowner's insurance. Escrow accounts are set up to collect monthly payments from you for these expenses, which are then paid on your behalf when they come due.

When there is an escrow shortage, it means that the amount collected from your monthly payments is not enough to cover the full of these expenses. This can happen for a variety of reasons, such as an increase in property taxes or insurance premiums.

In such cases, you will be required to pay the difference between what was collected in your monthly payments and the actual cost of the expenses. This can be paid in a lump sum or spread out of over 12 months. Your monthly escrow payment will also need to increase if your property taxes or insurance premium have increased.

It's important for your to be aware of your escrow account balances and payments to avoid unexpected escrow shortages or surpluses. You can contact us to get more information about your escrow account and how it is being managed.

**What is an escrow cushion?**

An escrow cushion, also known as the minimum required balance, is a specific amount of money collected by us to ensure that there are enough funds in the escrow account to cover any unexpected or increased expenses.

The amount of the escrow cushion is typically equal to two months of your escrow payments. For example, if your monthly escrow payment is \$400, the escrow cushion would be \$800. This provides a buffer to cover any unexpected expenses or increases in property taxes and/or insurance premiums.

The escrow cushion is required by lenders and is built into the initial escrow deposit calculation. The cushion is not included in the calculation of the monthly escrow payment but is held in the escrow account.

If the escrow account has a surplus, you may receive a refund of the cushion amount. If you have a shortage, the cushion may be used to cover the shortfall before you are required to make additional payments.

We hope that these FAQ are helpful. If you still have questions about the escrow account on your mortgage, please contact Member Care:

1.800.912.8006  
membercare@mycumortgage.com  
Monday-Friday, 8AM-8PM ET  
Saturday, 9AM-1PM ET

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