

WHY IS MY PAYMENT CHANGING AND WHAT IS AN ANNUAL ESCROW ANALYSIS STATEMENT?

***WHAT IS AN ANNUAL ESCROW ANALYSIS STATEMENT?**

Every month, we set aside a certain portion of your mortgage payment into an escrow account. We use the money in this account to pay your real estate taxes, your hazard (homeowner's) insurance and, if applicable, your private mortgage, FHA, or flood insurance, when they become due. An escrow analysis reviews how much money is in that account to make sure we are collecting the appropriate amount – not too much and not too little. If there is too little, we will adjust your payment to make up the difference. On the other hand, if there is too much money in the account, we will send you a refund.

***HOW DOES THE ESCROW ANALYSIS WORK?**

We use tax and insurance amounts based on previous bills for your escrow items (either what we paid last year, or if the loan is new, what was supplied to us from closing), add them up, then divide by 12 to figure out how much money you need to pay into your escrow account each month. This amount is added to your principal & interest payment. If your taxes and/or insurance in the past year exceeded the amount set aside in your escrow account, there is a shortage in your account. We will figure out the shortage, divide it by 12 and add it to your monthly payment. If you have more money in the escrow account than you need, because your taxes and/or insurance were less than we estimated, we will send you a refund (if it's at least \$50).

***I HAVE A FIXED RATE LOAN, SO WHY IS MY PAYMENT CHANGING?**

A fixed rate means the principal and interest payment on your loan will never change. However, your monthly mortgage payment also includes an escrow payment for insurance premiums and real estate taxes, which do change periodically. A change in taxes and/or insurance will affect the escrow portion of your total monthly payment.

***WHY DOES MY ESCROW ANALYSIS INDICATE THERE IS A SHORTAGE IN MY ACCOUNT?**

If your taxes and/or insurance premiums went up since the last time we analyzed your account, there is a good chance that there is now a shortage in your escrow account. That means we paid more money out of the account during the last year than you put into it. To make up the difference, we will divide the shortage amount by 12 and add it each month's escrow payment over the next 12 months.

***WHAT IF I WANT TO PAY OFF MY SHORTAGE UP FRONT?**

If you want to pay off your shortage all at once, you can. Return your Shortage Adjustment coupon along with your check or money order for the entire shortage amount. We will recalculate your monthly mortgage payment, eliminating the additional money you would have paid each month to make up the shortage.

***WHAT CAN I DO TO KEEP MY ESCROW PAYMENT FROM INCREASING?**

That may be hard to do because your taxes and insurance premiums generally change each year. To calculate your escrow payment for the next 12 months, we add up how much your taxes and insurance cost in the most recent year and divide that amount by 12. If your account falls short, you have the option of paying your shortage amount in one lump sum so you will not have to pay extra each month for the next year. However, this may not necessarily keep your payments the same from year to year, but it will reduce your new monthly payment.

***WHAT IF I HAVE EXTRA MONEY IN MY ACCOUNT?**

We will send you a refund providing two conditions are met:

- 1) Your loan is current.
- 2) The surplus amount is \$50 or more. (If your surplus is less than \$50, we'll simply spread it out over the next 12 months to lower your payment slightly.)

IMPORTANT INFORMATION FOR NEW CONSTRUCTION HOMEOWNERS:

If this analysis indicates you have a surplus and/or your payment goes down significantly, please check the tax amount we are using. We may have paid out only a small tax amount based only on your vacant lot before your house was built.

Your next tax bill will be based on the new assessment of your property, which will include your new house. This means your taxes will increase significantly and your escrow account will fall short. If you would like to prevent this, instruct us now to return your escrow payment to its original amount and you send the surplus check back to us so we can redeposit it into your escrow account.