

ESCROW Q & A

What is an escrow account?

An account you fund each month as part of your total monthly payment. We use it to make property tax and insurance payments for you. Items like mortgage insurance and flood insurance may also get paid from the account.

What's a minimum balance/cushion?

Sometimes taxes and insurance are higher than expected. To be prepared, you're required to keep a minimum balance in your account at all times. This helps make sure any unexpected increases are covered. Your minimum balance varies but is calculated to not be more than 2 months of escrow payments.

What bills are paid from an escrow account?

The money in your escrow account pays:

- Property taxes
- Homeowners insurance
- Mortgage insurance (if it's required)
- Flood insurance (if it's required)

How do you determine my escrow payment?

We:

- Estimate how much your taxes and insurance will cost over the next 12 months. We base this on your loan closing documents, taxing authority, and insurance company.
- Divide that by 12; then multiple that number by 13, to give your account a cushion; then divide that number by 12. Then we add it to your monthly mortgage payment.
For example: Your taxes and insurance for the year come to \$1200.00. We divide that by 12, $\$1200.00/12 = \100.00 . Multiply that number by 13, $\$100.00 \times 13 = \1300.00 . Now divide that by 12, $\$1300/12 = \108.33 . This will have a one-month cushion. We then add the \$108.33 to your mortgage principal and interest payment to equal your monthly mortgage payment.
- Determine if your account keeps the minimum balance required throughout the year or if your payment needs to be adjusted so your account stays balanced.

Why did my monthly payment increase?

- The most common reason for a bump in your escrow account payments is a property tax increase. The tax rate can go up, and so can the assessed value of your property. Your homeowner's insurance premium can go up too, but probably with much less impact.
- Your escrow payments can go down too. Your tax rate or the assessed value of your home could drop. And if you're paying mortgage insurance, you're probably going to get rid of it someday.
- Also, if your loan is delinquent, that means your escrow account will be short when we do the review/analysis.

Does Tri Boro pay dividends on my escrow account?

Tri Boro does not pay a dividend on the escrow accounts.

What is an escrow review/analysis?

Each year, we review your account to make sure the escrow portion of your total monthly payment covers your property taxes and insurance premiums, while also maintaining the minimum balance your account must have. Changes to your property taxes and insurance premiums may cause your monthly payment to change. We'll send you an escrow statement after each review (some exceptions apply based on your account status).

What is a Shortage?

If the funds in your escrow account are projected to be below your minimum balance at the lowest point in the 12-month period, you have a shortage. This can happen if the taxes or insurance premiums for the previous 12 months were more than expected. Or, if they're estimated to go up in the next 12 months.

You can make up a shortage in 1 of 2 ways:

- **Pay it in full.** Send a check for the full shortage amount and we'll put it in your escrow account. Instructions for sending your payment are included with your Escrow Review Statement.
- **Pay it over 12 months.** We'll add a portion of the shortage amount to your monthly payment.

We'll send you an escrow statement after each review that details all of this.

What is an overage/surplus?

If your escrow account is projected to have more than the minimum balance required at its lowest point in the 12-month period, you have an overage. This happens if the taxes or insurance premiums for the previous 12 months were less than expected. Or, if they're estimated to go down in the next 12 months. In most cases, we'll send you a refund check for that amount or deposit the surplus into your main share (savings) account.

What do I do if I feel there is a mistake with my escrow review/analysis?

1. Pull out the review/analysis that we sent you last year.
2. Then compare it to the history that we just sent to you. Did anything change? If so, that could explain why your payment has gone up or down.
3. Check to see if your property was re-assessed.
4. You can consult your local tax authorities to review your taxable amount and discuss any inconsistencies. Find out if you qualify for exemptions.
5. Did you change your homeowner's insurance or did the premium change?
6. Is, or was, your account delinquent? If so, we could be missing an escrow payment that would short your account.
7. If the previous steps do not answer your questions, call the credit union and we will be happy to help you. 412-461-3018 ext. 282 for the Real Estate Dept.