

Important information regarding the establishment of an Impound / Escrow Account

A homeowner's responsibilities include more than just the payment of interest and principal for their home mortgage. These responsibilities may also include the payments for property taxes and homeowner's insurance, private mortgage insurance (PMI), condominium and home owner's association dues, and payments on secondary mortgages and other expenses. For this reason most lenders offer, and sometimes require, borrowers to establish an impound account / which will require some of these additional housing expenses to be paid in their monthly mortgage payments.

An "impound account", also known as an "escrow account", is established and held by the lender, on the borrower's behalf, to hold funds for future payments of recurring items relating to the mortgaged property including but not limited to real estate taxes, hazard insurance, flood insurance and mortgage insurance premiums. When a lender establishes an impound account for a borrower, the borrower's monthly payments will include additional amounts for the maintenance of the account balance. These additional amounts will usually be equal to the monthly expense of each item to be paid by the funds held in the impound account.

Please note, the establishment of an impound account will result in an increase to your closing costs as impound accounts can require anywhere between 2 to 6 months (depending on the time of the year) worth of monthly payments, or reserves, to be deposited with your new lender at closing to establish the account. But, it may also reduce the interest rate and/or fees charged in connection to your loan. Please feel free to contact us for additional information regarding the pricing of your loan and the establishment of impound account.

For your convenience, unless otherwise required by the lender, you may decide to set up an impound account with your new lender. Although, if you elect not to establish an impound account it is still your responsibility to pay these other housing expenses in a timely manner and be able to provide the lender with paid receipts upon request. In the event that you do not pay these additional housing expenses, your lender has the right to force an impound account to be established which may cause an unforeseen increase in your monthly mortgage payments.

If you are refinancing your mortgage and had an impound account with your last lender then you may be entitled to a refund from any excess funds accumulated within such an account. These refunds are usually sent out 2-3 weeks after your new loan closes, but it is your responsibility to make sure that you receive your refund if you are so entitled.

To assist in your decision as to whether you wish to establish an impound account, please reference our flyer entitled "Important Real Property Tax Dates" for further information on property tax due dates, assessments, and supplemental taxes.

By signing below, applicant(s) acknowledge that they have read and understand this document. By your signature, you also acknowledge that you have received a copy of this document.

Borrower's printed name

signature

date

Co-Borrower's printed name

signature

date