

# Your Escrow Account

## Overview of the Escrow Account

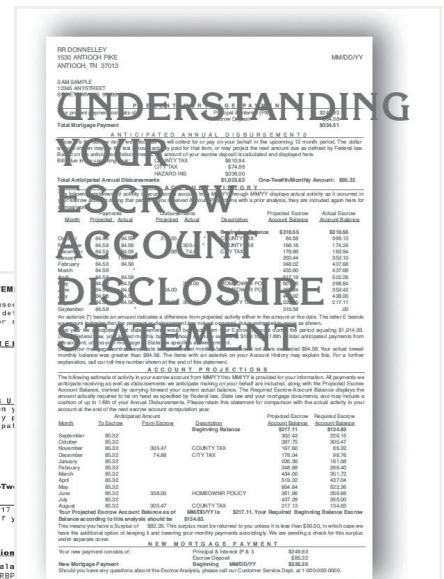
Escrow is an account of money Virginia Housing maintains on your behalf. Funds are disbursed from the escrow account to pay your local real estate taxes, homeowners insurance and in some cases your mortgage insurance and/or flood insurance.

Under the terms of your mortgage, Virginia Housing is required to collect funds from you in order to maintain your escrow account. This ensures your escrow account has funds to pay the expenses.

FIGURE B

When you pay your mortgage each month, a portion is applied to your principal and interest. The remainder is placed into the escrow account. This is typically one-twelfth of the total disbursement to pay expenses.

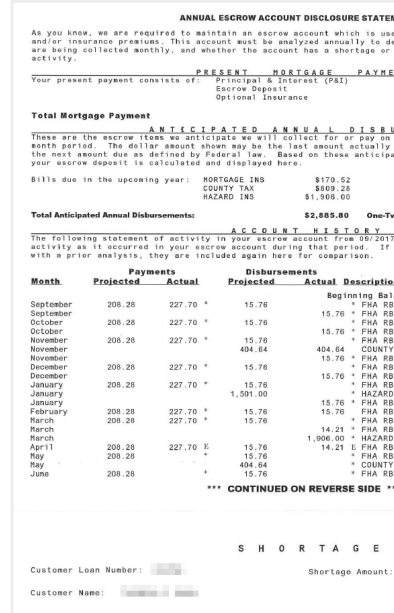
FIGURE B



## Overview of the Annual Escrow Analysis

Every year, Virginia Housing conducts an analysis of your escrow account. We do this to ensure the account has the required amount of funds so we can disburse upcoming payments on your behalf.

FIGURE A



The locality where your home is located will determine when Virginia Housing analyzes your escrow account. For some customers it will be in February; for all others it will be in July.

Virginia Housing will always provide you with a summary of the results. The Annual Escrow Disclosure Statement (Figure A) is mailed to you in the same month your analysis is

conducted. The information included in the Escrow Disclosure is an estimate based on the prior year's expenses paid. Included with the Escrow Disclosure is a short pamphlet (Figure B) that explains how to interpret the information.

## Impact of the Annual Escrow Analysis

All customers will experience an analysis of their mortgage each year for the life of the loan. As a result of the analysis, the amount of money deposited into your escrow account may change. The amounts you owe for the principal and interest, however, will never change because of the escrow analysis. For some customers, the result of the analysis may cause their total monthly mortgage payment amount to decrease, while others may see an increase.

Escrow funds are used to pay real estate taxes, hazard & mortgage insurance, and other items --- funds that protect your investment.

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Remember, your Escrow Disclosure will list the results of the analysis at the bottom of the first page. There are two possible results: shortage or surplus.

**Shortage** means the amount of money in the escrow account is not enough to pay the anticipated expenses. You must send Virginia Housing a payment for the shortage amount.

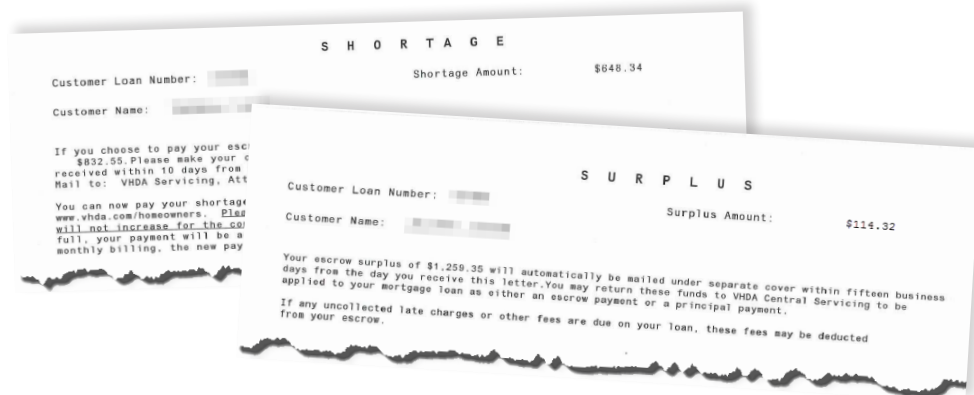
**Option 1:** Pay the shortage amount in full in one payment. You would make this payment separately from your regular monthly mortgage payment.

**Option 2:** Pay a portion of the shortage amount each month over a 12-month period. The shortage payments are added onto your regular monthly mortgage payment, which will cause the total payment amount to increase.

**Surplus** means the amount of money in the escrow account is more than what is required to pay the anticipated expenses. Virginia Housing will refund the surplus amount in one of two ways.

**Refund Method 1:** If the surplus amount is greater than \$50, Virginia Housing will mail a check to you within 30 days of when you received the Escrow Disclosure.

**Refund Method 2:** If the surplus amount is less than \$50, Virginia Housing would apply the amount as a credit to your mortgage account. This means your regular monthly mortgage payments would decrease temporarily until the credit is applied in full.



## What You Should Do:

Review your Escrow Disclosure each year to verify the information and to identify how your total monthly mortgage payment amount might change.

For Frequently Asked Questions, visit [VirginiaHousing.com/Homeowners](http://VirginiaHousing.com/Homeowners). To learn more about the history of your escrow account or to view information about your mortgage, visit Virginia Housing's secure portal, Customer CareNet, at [VirginiaHousing.com/Servicing](http://VirginiaHousing.com/Servicing).

For more information, visit: [VirginiaHousing.com/Homeowners](http://VirginiaHousing.com/Homeowners), [VirginiaHousing.com/Servicing](http://VirginiaHousing.com/Servicing)