



## What Is an Escrow Account?

- **An escrow account is set up by your lender to collect from you the funds needed to pay property taxes and insurance premiums on your behalf.** An escrow account is a common requirement for first-time homebuyers and when the down payment is less than 20% of the home's appraised value. An escrow account may also be a legal requirement for certain home loans, or if your home requires flood insurance.
- **Your lender divides the estimated cost of the annual property taxes and insurance premiums into a monthly amount that is collected along with your monthly mortgage payment.** When the tax or insurance bill is due, your lender will make this payment on your behalf from the escrow account funds that were collected each month. If necessary, your monthly escrow payments will be adjusted, based on changes to your taxes and/or insurance premium.
- **Although your lender collects the funds to pay the taxes and insurance on your behalf, you are still legally responsible for these payments.** So you should be sure that your lender is aware of any changes to your property tax obligations or insurance premiums so that your escrow account can be properly administered.

**CALL ME** if have questions or want more information about escrow accounts.



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