



# A Guide to Escrow Analysis

North Dakota Housing Finance Agency conducts an Escrow Analysis each year to ensure that the agency is collecting the proper funds needed to pay borrowers' property taxes, hazard and mortgage insurances, and other escrow-related items. After the analysis, borrowers receive an Annual Escrow Account Disclosure Statement. The statement provides a history of the activity in the escrow account for the past year and a projection of activity for the upcoming 12 months. It also calculates the borrower's new monthly payment and indicates any surplus, shortage and/or deficiency in the account.

**Summary:** The first page of the Annual Escrow Account Disclosure Statement, not pictured here, displays the borrower's contact information, loan number, analysis date, and the account's new monthly mortgage payment amount.

**Monthly Account Balance:** The information highlighted in yellow indicates why and how the account's Minimum Monthly Balance calculation is made, - \$500.00 (Hazard Ins) + \$500.00 (Tax) = \$1,000.00 (Projected Escrow Funds Out) ÷ 6 (1/6 of Anticipated Payments from the Account) = \$166.67 (Lowest Monthly Balance).

**Account History:** This section compares projected account activity with actual escrow account activity over the past year.

**Ending Balance:** The final number in the Account History's Actual Balance column, highlighted in pink, determines whether an account has a shortage, deficiency or a surplus. In this example, the ending balance is \$0.00 which indicates a shortage because an escrow account is required to have a two month payment cushion. Calculating the payment cushion needed follows: \$600.00 (Hazard Ins) + \$600.00 (Tax) = \$1,200.00 (Total Yearly Escrow Payments) ÷ 12 (Months) = \$100.00 (Payment) x 2 (Months) = \$200.00 (Payment Cushion).

**Projections for Coming Year:** This section is a projection of the escrow account activity for the coming year. The projections, highlighted in blue, indicate that the monthly escrow payment should be \$100.00. The calculation is made as follows: \$600.00 (Hazard Ins) + \$600.00 (Tax) = \$1200.00 (Total Yearly Escrow Payments) ÷ 12 (Months) = \$100.00 (Escrow Payment per Month).

To correct a payment cushion shortage, the needed funds are collected each month as follows: \$200.00 (Payment Cushion) ÷ 12 (Months) = \$16.67 + \$100.00 (Escrow Payment per Month) = \$116.67, highlighted in green. (New Escrow Payment per Month).

**Account Surplus:** Surpluses of less than \$50.00 over payment cushion are retained in the account and credited against the next year's escrow payments. If an account has a surplus of \$50.00 or more, a refund check is remitted to the borrower.

**Account Deficiency:** If an escrow account's ending balance is negative, the account is deficient and, like a shortage, the funds are collected over the next 12 months and the monthly escrow payment is increased accordingly.

Last year we anticipated that payments from your account excluding mortgage insurance would be made during this period equaling \$1,000.00. Under Federal law, your lowest monthly balance should not have exceeded \$166.67 or 1/6 of anticipated payments from the account excluding mortgage insurance, unless your mortgage contract or State law specifies a lower amount. Under your mortgage contract and State law, your lowest monthly balance should not have exceeded \$166.67.

ACCOUNT HISTORY							PROJECTIONS FOR THE COMING YEAR					
An asterisk (*) indicates a difference from a previous estimate either in the date or the amount. An asterisk (*) in the Funds In column indicates a projected payment(s).							Escrow Funds			Account Balance		
Date	Escrow Funds In		Escrow Funds Out			Account Balance	Date	In	Out	Description	Account Balance	
	Projected	Actual	Projected	Actual	Description	Projected	Actual					
02-2016	100.00	100.00				100.00	100.00	02-2017	116.67	0.00	Ending Balance	0.00
03-2016	100.00	100.00				200.00	200.00	03-2017	116.67	0.00	Less Surplus Refund	0.00
04-2016	100.00	100.00				300.00	300.00	04-2017	116.67	0.00	Starting Balance	0.00
05-2016	100.00	100.00				400.00	400.00	05-2017	116.67	0.00		
06-2016	100.00	100.00				500.00	500.00	06-2017	116.67	0.00		
07-2016	100.00	100.00				600.00	600.00	07-2017	116.67	0.00		
08-2016	100.00	100.00	500.00	600.00	Home Ins	200.00	100.00	08-2017	116.67	600.00	Home Ins	216.69
09-2016	100.00	100.00				300.00	200.00	09-2017	116.67	0.00		333.36
10-2016	100.00	100.00				400.00	300.00	10-2017	116.67	0.00		450.03
11-2016	100.00	100.00				500.00	400.00	11-2017	116.67	0.00		566.70
12-2016	100.00	100.00	500.00	600.00	Tax	100.00	(100.00)	12-2017	116.67	600.00	Tax	83.37
01-2017	100.00	100.00				200.00	0.00	01-2018	116.67	0.00		200.04

We anticipate the payments from your account excluding mortgage insurance will be made during this period equaling \$1,200.00. Under Federal law, your lowest monthly balance should not exceed \$200.00 or 1/6 of the anticipated payments from the account excluding mortgage insurance, unless your mortgage contract or State law specifies a lower amount. Under your mortgage contract and State law, your lowest monthly balance should not exceed \$200.00.

Your ending balance, from last month of the account history, adjusted for projected payments, is \$0.00. Your starting balance according to this analysis should be \$200.00. This means you have a shortage of \$200.00. This shortage may be collected from you over a period of 12 months or more unless the shortage is less than 1 month's deposit, in which case we have the option of requesting payment within 30 days. The shortage will be collected over the next 12 months.

**Any shortages or requests for payment changes must be received by March 31<sup>st</sup>. Any shortages or requests received after March 31<sup>st</sup> will not be processed until the following year.**