



Understanding Escrow IMPOUND ACCOUNT

An Impound Account, also known as an Escrow Impound Account, is an account set up and managed by mortgage lenders to pay property taxes and insurance on behalf of the home buyer. These accounts are set up with the lender during escrow to ensure that the home buyer's property taxes and insurance are paid on time and in full. The biggest misconception with the Impound Account is that it is managed by the escrow company. However, after escrow collects the initial deposit for the Impound Account and after the transaction is closed, the escrow company is no longer involved.

How it works

Your lender calculates your annual property tax and insurance payments, divides the total by 12, and adds this amount to your monthly mortgage payment. This monthly payment is then deposited into the escrow account. When the time comes to pay the annual property taxes and insurance, the lender makes the payment from the funds accumulated in the account on the behalf of the buyer.

Setting up an Account

The account is set up by the mortgage lender during escrow. Escrow collects an Escrow Impound Deposit, which is typically a deposit of 2-6 months worth of taxes and insurance. Due to the fact that property taxes can be adjusted and insurance rates can change, this deposit ensures there are sufficient funds to make the payments in full when they are due. Please note that the buyer can elect to pay property taxes and insurance on their own, therefore it is not mandatory for the buyer to setup an escrow account. However, based on the type of loan, the lender may require the buyer to have one.

What's typically included?

- Property Taxes
- Homeowners Insurance
- Flood Insurance (if applicable)
- Mortgage Insurance (if required)

Property Tax Impound Schedule

Month of Funding	First Monthly Payment	TAX IMPOUNDS COLLECTED
January	March	7 Months Collected (1st Installment paid, 2nd Installment not paid)
February	April*	7 Months Collected (1st Installment paid, 2nd Installment not paid)
February	April	2 Months Collected (1st & 2nd Installment paid)
March	May	3 Months Collected (1st & 2nd Installment paid)
April	June	4 Months Collected (1st & 2nd Installment paid)
May	July	5 Months Collected (1st & 2nd Installment paid)
June	August	6 Months Collected (1st & 2nd Installment paid)
July	September	7 Months Collected (1st & 2nd Installment paid)
August	October	8 Months Collected (1st & 2nd Installment paid)
September	November	9 Months Collected (1st & 2nd Installment paid)
October	December	10 Months Collected (1st & 2nd Installment paid)
October	December**	4 Months Collected (1st Installment Paid, 2nd Installment not paid)
November	January	5 Months Collected (1st Installment Paid, 2nd Installment not paid)
December	February	6 Months Collected (1st Installment Paid, 2nd Installment not paid)

* Loans closing February 1st and after require the 2nd 1/2 tax installment be paid prior to or at closing.
** Loans closing November 1st and after requires the 1st tax installment be paid prior to or at closing.

Contact us for more information.

The exact amounts your lender will require in order to establish your impound account may vary based upon the actual closing date of your transaction. Please note that "impound" amounts are not fees. "Impounds" are funds held for property tax and insurance payments made on your behalf by your lender. For complete information regarding your impound account, please contact your loan officer.