

Impound Accounts

Frequently Asked Questions

What is an impound account and how does it work?

An impound account (sometimes known as an "escrow account") is used to pay bills related to your property such as real estate property taxes, property insurance premiums, flood insurance premiums (if applicable) and other expenses as outlined in your mortgage contract. Bills for these services are sent directly to your lender by the service provider. A portion of your loan payment is deposited to this account each month to fund impound expenses.

Your impound account is reviewed annually to determine the anticipated amount of your monthly impound deposit based on the bills your lender expects to receive and pay on your behalf. Once the analysis is completed, you will receive an Impound Account Disclosure Statement that provides you with your new loan payment information.

What information is on my annual impound account disclosure statement?

The statement provides projected and historical impound activity. It also shows your current and new loan payment amounts, including the portion deposited to your impound account. Should there be an impound surplus or shortage, this disclosure will provide an explanation of how it will be handled.

How is my monthly impound deposit calculated?

Your impound deposit is equal to 1/12th of the total bills your mortgage lender anticipates paying on your behalf during the next year. A minimum impound account balance, or cushion, is permitted per Federal law and is equal to two months of your monthly impound deposit.

What will cause the amount of my impound deposit to fluctuate?

There are several reasons why your impound deposit may increase or decrease:

- A property tax increase or decrease
- An insurance premium increase or decrease (i.e. homeowners, mortgage, etc.)
- A shortage or surplus of funds
- An increase or decrease in other bills your lender pays for you

What happens when there is a surplus of impound funds?

If your loan is current (not delinquent) and has a surplus at the time of your impound analysis, your lender should advise you.

Policies vary from lender to lender, so make sure and call your lender's loan service department if you have any questions.

What happens when there is a shortage in your impound account?

A shortage occurs when your account balance is less than the required balance at the time your account is analyzed.

Your impound shortage should be automatically spread out over a 12-month period and added to your monthly payment. Or if you prefer, you can pay your impound shortage in part or in full. If you choose this option, there may be a one-time adjustment to your monthly mortgage payment.

Policies vary from lender to lender, so make sure and call your lender's loan service department if you have any questions.



How can I dispute an increase in my impound deposit?


Should you feel your lender's calculations are incorrect or if you have access to better estimates from a taxing authority or insurance provider, contact your lender directly. They will use your documented information to perform a new analysis, possibly resulting in a lower impound deposit amount.

IMPORTANT: Only your taxing authority or insurance company can change the amount of the bill your lender pays on your behalf. You must contact them directly.

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