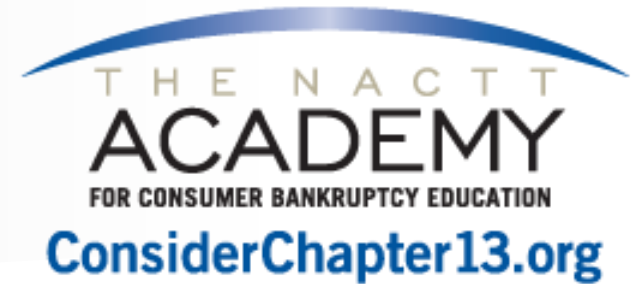


# Demystifying Mortgage Escrow: Only Slightly Less Complicated Than The BCS System

**This webinar is brought to you in partnership with the NACTT Academy and McCalla Raymer, LLC**



McCalla Raymer, LLC



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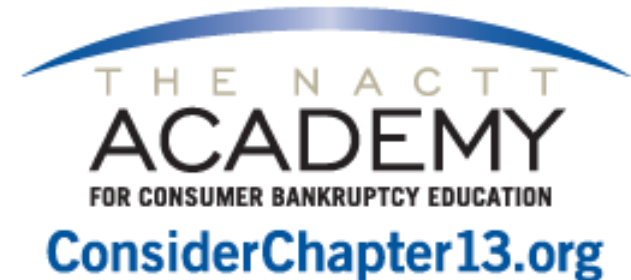
## Demystifying Mortgage Escrow



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# RESPA - Introduction

- RESPA places limits on the amount a lender or servicer may require a mortgagor to keep in his or her escrow account to cover the payment of taxes, insurance or other disbursements





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# RESPA - Introduction

- RESPA governs servicer's obligations to provide annual escrow account statement (i.e., escrow analysis) and notice "not less than annually" of any shortage in the escrow account
- RESPA regulation: 24 CFR § 3500
  - Sometimes referred to as Regulation X

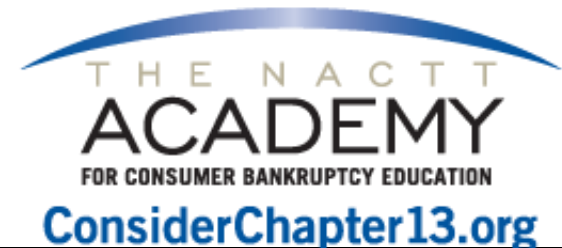




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# Escrow Account – Definition(s)

- Any account servicer establishes or controls on behalf of borrower to pay taxes, insurance premiums (including flood insurance), or other charges with respect to a federally related mortgage loan
  - Including charges borrower and servicer have voluntarily agreed servicer should collect and pay
  - Definition encompasses any account established for this purpose, including a "trust account", "reserve account", "impound account", or other term in different localities

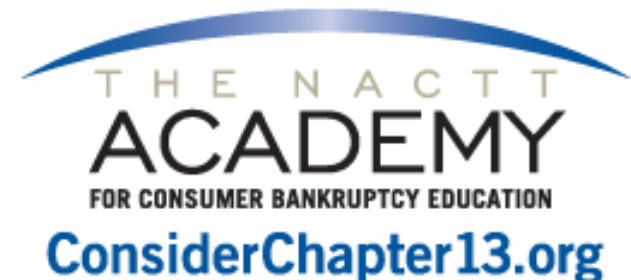




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# Escrow Account – Definition(s)

- “Escrow Account” includes any arrangement where servicer adds a portion of the borrower's payments to principal and subsequently deducts from principal the disbursements for escrow account items
- The term “Escrow Account” does not include any account that is under the borrower's total control





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# Escrow Statements

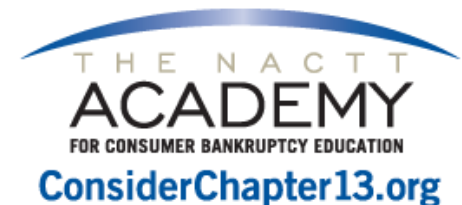
- A servicer who establishes an escrow account in connection with a “federally related mortgage” must provide borrower a statement which clearly itemizes the estimated taxes, insurance premiums, and other charges that are reasonably anticipated to be paid from the escrow account during the first twelve months after the escrow account is created.
  - This statement must be provided to borrower either at closing, or within 45 days after creation of escrow account
  - If loan documents do not specifically establish an escrow account, whether a servicer may establish an escrow account for the loan is determined by State law



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# Escrow Statements

- A servicer who has established or continued an escrow account must provide the borrower with statement at least once for each 12-month period
  - Otherwise known as the “escrow account computation year”
    - Regulation X defines the term “escrow account computation year” as a 12-month period that a servicer establishes for the escrow account beginning with the borrower's initial payment date. The term includes each 12-month period thereafter, unless a servicer chooses to issue a short year statement under the conditions stated in § 3500.17(i)(4).







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# Escrow Statements

An escrow statement should clearly itemize:

- amount of borrower's current monthly payment
- portion of monthly payment being placed in escrow account
- total amount paid into escrow account during the period
- total amount paid out of escrow account during the period for taxes, insurance premiums and other charges (as separately identified)
- the balance in the escrow account at the end of the period
- an explanation of how any surplus is being handled by the servicer
- an explanation of how any shortage or deficiency is to be paid by the borrower; and
- if applicable, the reason(s) why the estimated low monthly balance was not reached, as indicated by noting differences between the most recent account history and last year's projection



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# Escrow Analysis Definition

An escrow analysis is the accounting servicer conducts in the form of a trial running balance for an escrow account to:

- Determine appropriate target balances
- Compute borrower's monthly payments for the next escrow account computation year and any deposits needed to establish or maintain the account; and
- Determine whether shortages, surpluses or deficiencies exist



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# Escrow Analysis

**There are five steps to complete an escrow analysis:**

**Steps 1-3**

- ☐ Servicer projects a trial balance for the account as a whole over the next computation year (a trial running balance).
- ☐ In doing so servicer assumes that it will make estimated disbursements on or before the earlier of the deadline to take advantage of discounts (if available) or the deadline to avoid a penalty.
- ☐ Servicer also assumes borrower will make monthly payments equal to one-twelfth of the estimated total annual escrow account disbursements.

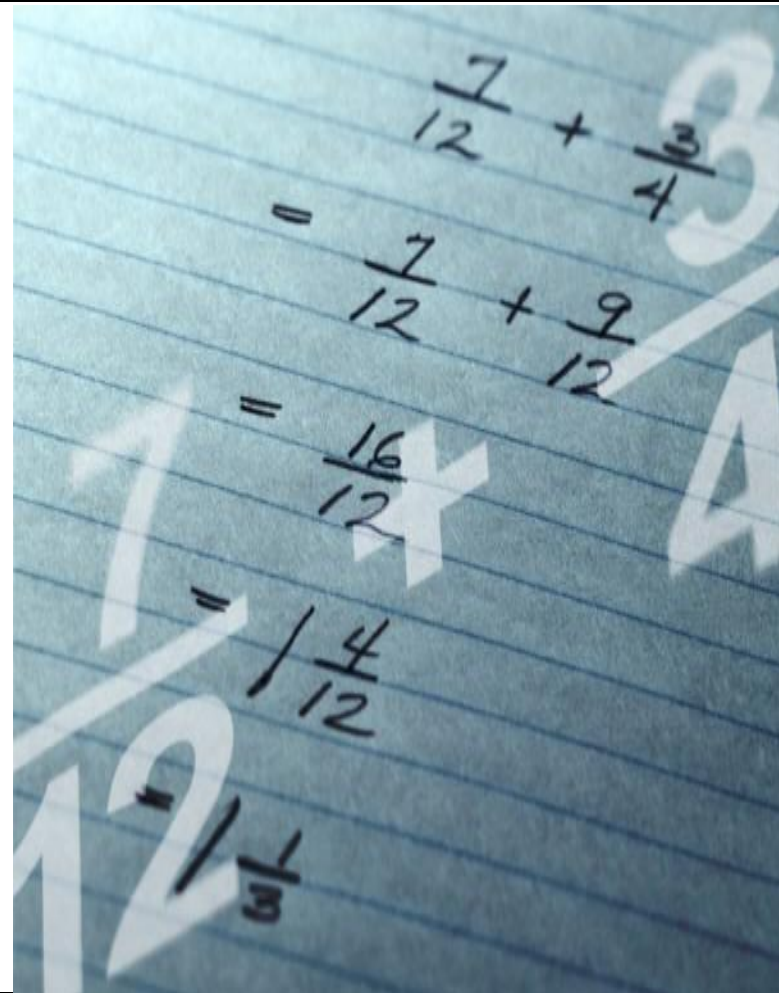


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# Escrow Analysis

## Step 4

- ☐ Servicer examines monthly trial balances
  - ☐ Adds to the first monthly balance an amount *just* sufficient to bring the lowest monthly trial balance to zero
  - ☐ Adjusts all other monthly balances accordingly.





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# Escrow Analysis

## Step 5

- ☐ Servicer adds to the monthly balances the permissible cushion.
- ☐ Cushion is:
  - ☐ Two months of borrower's escrow payments to servicer
  - ☐ Or a lesser amount specified by State law
  - ☐ Or a lesser amount specified by the mortgage document



Mike McCormick

Jeff Collier





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# Escrow Analysis – Step 1

- The first step in the analysis is to list all anticipated disbursements to be paid out of escrow account over the next 12 months
- Example assumes \$1200 for property taxes (\$500 paid July 25 and \$700 paid December 10) and \$360 for hazard insurance on September 20.

County Taxes	\$1,200.00
Homeowner's Insurance	\$ 360.00
	<hr/>
Total	\$1,560.00

# Escrow Analysis – Step 1

How does a servicer estimate disbursements for next year?

- If servicer knows the charge for an escrow item in the next computation year, then servicer uses that amount in estimating disbursement amounts
- If the charge is unknown to servicer, servicer may base the estimate on:
  - Preceding year's charge
  - Or preceding year's charge as modified by an amount not exceeding the most recent year's change in the national Consumer Price Index for all urban consumers (CPI, all items)

## Escrow Analysis – Step 2

Second step in analysis is to calculate the regular monthly escrow component (i.e., what is needed on a monthly basis to cover the anticipated disbursements over the next 12 months)

- This is done by dividing the total from Step 1 by twelve (12) monthly payments
- In our example:

$$\$1,560 / 12 = \$130$$





## Escrow Analysis – Step 3

Third step in escrow analysis requires servicer to create trial running balance for the next twelve (12) months

- This requires listing:
  - All payments into escrow account
  - All payments out of account
  - When the anticipated disbursements from Step 1 are expected to be paid

In preparing the statement, servicer *may* assume scheduled payments/disbursements will be made for the final 2 months of escrow account computation year (the operative word is “may”)

# Escrow Analysis – Step 4

Step 4 requires servicer to increase all monthly balances to bring the lowest point in the account up to zero

- This is sometimes referred to as the “theoretical low point”
- Usually low point comes in the month property taxes have been paid
- In our example, the low point comes in December (-780)



payment		disbursement	3) balance	4) balance
Jun	-	-	0	780
Jul	130	500	-370	410
Aug	130	0	-240	540
Sep	130	360	-470	310
Oct	130	0	-340	440
Nov	130	0	-210	570
Dec	130	700	* -780	* 0
Jan	130	0	-650	130
Feb	130	0	-520	260
Mar	130	0	-390	390
Apr	130	0	-260	520
May	130	0	-130	650
Jun	130	0	0	780

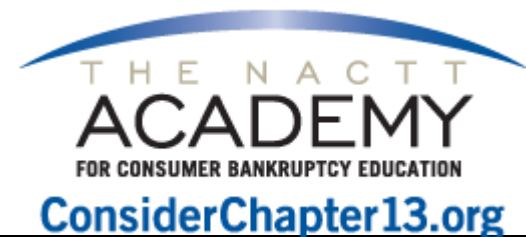


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# Escrow Analysis – Step 5

Step 5 directs servicer to add any cushion lender requires to the monthly balances

- The cushion may be a maximum of one-sixth of the total escrow charges anticipated over the next 12 months
  - If loan documents provide for lower cushion limits than under the Regulation, then the terms of the loan documents apply

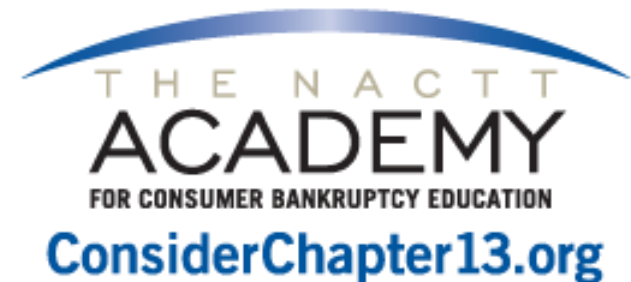




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# Escrow Analysis – Step 5

If loan document is silent on escrow account limits, and servicer establishes an escrow account under State law, then the limitations under the Regulation apply unless State law provides for a lower amount.





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## Escrow Analysis – Step 5

If the loan documents provide for escrow accounts up to the RESPA limits, then the servicer may require the maximum amounts consistent with the Regulation, unless an applicable State law sets a lower amount

- In our example,  $1/6$  of \$1,560 = \$260.00
- Following the RESPA / HUD guidelines, the maximum the servicer could require in the escrow account is \$1,040



Michael J.  
McCormick

W. Jeffrey  
Collier



	payment	disbursement	balance
Jun	-	-	1040
Jul	130	500	670
Aug	130	0	800
Sep	130	360	570
Oct	130	0	700
Nov	130	0	830
DEC	130	700	* 260
Jan	130	0	390
Feb	130	0	520
Mar	130	0	650
Apr	130	0	780
May	130	0	910
Jun	130	0	1040



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## Escrow Analysis – Step 5

Is servicer required to have borrower maintain a reserve or cushion?

- ❑ NO. See Reg. X Section (c)(1)(ii).
  - *Throughout the life of an escrow account, the servicer **may** charge the borrower a monthly sum equal to one-twelfth (1/12 ) of the total annual escrow payments which the servicer reasonably anticipates paying from the account. **In addition**, the servicer **may add** an amount to maintain a cushion no greater than one-sixth (1/6 ) of the estimated total annual payments from the account*
- ❑ The operative word in this paragraph is “may”





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## Escrow Analysis – Surpluses

### **Surpluses**

After analysis is performed, servicer then compares “required” amount (otherwise known as the “target balance”) to the actual account at the time the escrow analysis was being performed

- If the amount in the escrow account exceeds required amount, then there is a “surplus” in the escrow account
  - If surplus is less than \$50, servicer may:
    - Apply surplus to reduce amount of escrow payment
    - Or may choose to return surplus to borrower





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## Escrow Analysis – Surpluses

### **Surpluses**

If surplus is more than \$50, servicer must return surplus to borrower within 30 days of performing escrow analysis

- These rules for handling a surplus only apply if borrower is current at the time of the escrow analysis
  - Borrower is considered current if servicer receives borrower's payments within 30 days of payment due date
- If servicer does not receive borrower's payment within 30 days of payment due date, then servicer may retain surplus in the escrow account pursuant to terms of the loan documents





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## Escrow Analysis –Shortages

### **Shortages**

If amount in escrow account is **positive**, but less than the required amount, there is an escrow shortage

- If amount of escrow shortage is less than one month's escrow payment, servicer *may* ask borrower to pay shortage within 30 days, or servicer *may* spread it out over 12 months
- If shortage is greater than one month's escrow payment, servicer must spread the shortage out over at least 12 months
- Servicer *may* also do nothing and allow an escrow shortage to exist



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## Escrow Analysis –Deficiencies

### **Deficiencies**

If amount in escrow account not only falls below the required amount, but is **negative**, then there is an escrow deficiency

- If amount of deficiency is less than one monthly escrow payment, servicer *may* require borrower to pay deficiency within 30 days
- If amount of deficiency is equal to or greater than one monthly escrow payment, servicer *may* require borrower to repay amount over 2-12 months
- Servicer also has the option to allow the deficiency to exist and do nothing to change it.



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## Escrow Analysis – Deficiencies

### **Deficiencies**

The provisions regarding deficiencies apply only if borrower is current at the time servicer is performing escrow account analysis

- Borrower is considered current under the Regulation if servicer receives borrower's payments within 30 days of payment due date
- If servicer does not receive borrower's payment within 30 days of payment due date, servicer may recover deficiency pursuant to terms in loan documents



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# Escrow Analyses During A Bankruptcy Case

Section (f)(5) requires servicer to provide borrower notice of any shortage or deficiency in escrow account on at least an annual basis

- Therefore, any exception or exemption from having to provide an annual escrow statement, such as delinquency of loan or bankruptcy of borrower, does not excuse servicer from obligation to provide notice of escrow shortage or deficiency on at least an annual basis
- The Regulation also provides that if servicer advances funds for borrower, then servicer must perform an escrow account analysis before seeking repayment of deficiency

**RESPA and Regulation X**  
**vs.**  
**The United States**  
**Bankruptcy Code**



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# Escrow Analyses During A Bankruptcy Case

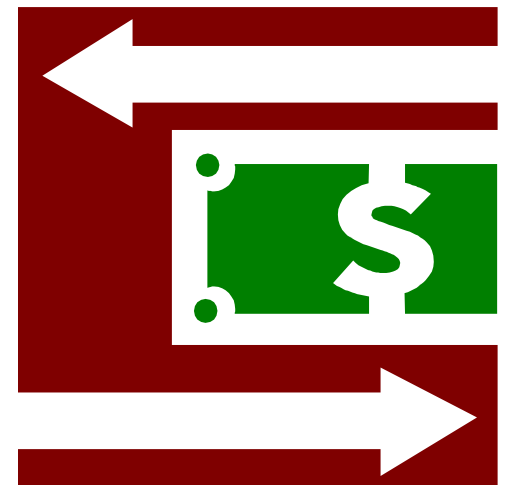
Traditionally (i.e., since the mid-90s), servicers have included only escrow deficiency in Proofs of Claim

- This practice resulted from several cases\* which vaguely required servicers to bring escrow account up to zero
  - Bringing escrow account to zero is only half the battle – still need to fund next year's disbursements/required cushions

**Now**, the trend is to include at least part of shortage in the claim.

*\*In re Davideit*, 1995 WL 912451 (Bkrtcy. D.N.H)

*\*In re McCormack*, 1996 WL 753938 (D.N.H.)





# First Example

For informational purposes

Escrow account disclosure statement  
and notice of new mortgage payment

Loan number: [REDACTED]  
Next payment due date: June 01, 2013  
New payment effective date: June 01, 2013  
New payment amount: \$889.02  
Principal balance: \$112,773.54  
Interest rate: 5.125%  
Statement date: May 14, 2013  
Account review period: Jul 2012 - May 2013  
Customer service: 1 800 340 0473 [REDACTED]  
Customer service hours: Mon - Fri 6 a.m. - 10 p.m.  
Sat 8 a.m. - 2 p.m. CT

We accept telecommunications relay service calls.

Property address:  
[REDACTED]  
[REDACTED]

Dear [REDACTED]

Each year, we review your escrow account to make sure the escrow portion of your scheduled mortgage payment covers your property taxes and/or insurance premiums. Increases or decreases in your annual taxes and/or insurance premiums may cause your mortgage payment amount to change. Here are the details of your most recent escrow account review.

Note: This notice is for informational purposes only and is being provided as a courtesy should you voluntarily decide to make any escrow shortage payment, if applicable. This notice should not be construed as an attempt to collect a debt or a demand for payment contrary to any protection you may have received pursuant to your bankruptcy case.

**New escrow and mortgage payment amount**

**New payment effective date**

June 01, 2013<sup>1</sup>

**Current  
payment (\$)**

**New  
payment (\$)**

Principal and/or interest	657.75	657.75
Escrow payment	199.21	205.32
New escrow shortage/prepayment <sup>2</sup>		0.00
Optional insurance	25.95	25.95
<b>Total payment amount</b>	<b>882.91</b>	<b>889.02</b>

1. We will adjust your electronic withdrawal(s) to ensure your June 01, 2013 payment is made in full.

2. If your current payment includes an amount to cover a previous escrow shortage, this amount will be added. If your current payment includes an adjustment for extra funds you deposited to your escrow account, this amount will be deducted.

Your account is in balance. Our calculation has resulted in no projected shortage or overage in your escrow account.

For informational purposes

Loan number:

The following information covers your projected escrow account activity from Jun 2013 to May 2014

**Projected escrow account disbursements**

Annualized items to be paid from your escrow account (\$):

HAZARD INS	385.65
COUNTY TAX	2,078.17

Total disbursements	2,463.82
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<b>Scheduled escrow payment</b>	<b>205.32<sup>1</sup></b>
---------------------------------	---------------------------

1. Your escrow payment is calculated by dividing the total disbursements by 12.

**Projected escrow account activity for the next 12 months**

Date	Anticipated payments (\$)		Description	Escrow balance (\$)	
	To escrow	From escrow		Projected	Required
Jun 2013			Starting balance	1,984.70	2,053.18
Jun 2013	205.32	0.00		2,190.02	2,258.50
Jul 2013	205.32	385.65	USAA GROUP	2,009.69	2,078.17
Aug 2013	205.32	0.00		2,215.01	2,283.49
Sep 2013	205.32	2,078.17	COBB COUNTY	342.16 <sup>2</sup>	410.64 <sup>3</sup>
Oct 2013	205.32	0.00		547.48	615.96
Nov 2013	205.32	0.00		752.80	821.28
Dec 2013	205.32	0.00		958.12	1,026.60
Jan 2014	205.32	0.00		1,163.44	1,231.92
Feb 2014	205.32	0.00		1,368.76	1,437.24
Mar 2014	205.32	0.00		1,574.08	1,642.56
Apr 2014	205.32	0.00		1,779.40	1,847.88
May 2014	205.32	0.00		1,984.72	2,053.20
<b>Total</b>	<b>2,463.84</b>	<b>2,463.82</b>			

The projected escrow account activity is based on the most recent tax and/or insurance information available as well as the assumption that your payments will be received as agreed.

2. **Projected low point.** The point during the annual period at which the projected escrow balance will reach its lowest point.

3. **Required escrow balance.** To cover unanticipated disbursements, including increases to tax or insurance payments, there is a 2 month minimum escrow balance allowable by state law and/or your mortgage contract. This amount does not include mortgage insurance.

- Your 2 month minimum escrow balance is \$410.64
- State law requires that this minimum escrow balance not exceed \$410.64
- Note: If you have an adjustable rate mortgage (ARM), you will receive a notice about your new mortgage payment when your ARM rate is scheduled to change.

**Information about your escrow account**

Your lowest projected escrow account balance (low point) (\$)	342.16
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<b>Plus escrow adjustment<sup>4</sup> (\$)</b>	<b>68.48</b>
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Less your required minimum escrow account balance (\$)	410.64
--	--------

<b>This means your escrow account is in balance</b>	<b>0.00</b>
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4. An Escrow Adjustment of \$68.48, scheduled to be repaid through the bankruptcy, is included in this calculation.

For informational purposes

Loan number:



The following information covers your escrow account history activity from Jul 2012 to May 2013

Date	Payments to escrow (\$)		Payments from escrow (\$)		Description	Escrow balance (\$)	
	Projected	Actual	Projected	Actual		Projected	Actual
Jul 2012					Starting balance	2,191.26	1,805.61
Jul 2012	199.21	199.21	308.52	0.00 <sup>1</sup>	USAA GROUP	2,081.95	2,004.82
Aug 2012	199.21	199.21	0.00	0.00		2,281.16	2,204.03
Sep 2012	199.21	199.21	2,081.95	2,078.17 <sup>1</sup>	COBB COUNTY	398.42	325.07
Oct 2012	199.21	199.21	0.00	0.00		597.63	524.28
Nov 2012	199.21	199.21	0.00	0.00		796.84	723.49
Dec 2012	199.21	265.16 <sup>1</sup>	0.00	0.00		996.05	988.65
Jan 2013	199.21	199.21	0.00	0.00		1,195.26	1,187.86
Feb 2013	199.21	199.21	0.00	0.00		1,394.47	1,387.07
Mar 2013	199.21	199.21	0.00	0.00		1,593.68	1,586.28
Apr 2013	199.21	199.21	0.00	0.00		1,792.89	1,785.49
May 2013	199.21	199.21	0.00	0.00		1,992.10	1,984.70
<b>Totals</b>	<b>2,191.31</b>	<b>2,257.26</b>	<b>2,390.47</b>	<b>2,078.17</b>			

1. Indicates where a difference exists between the projected and actual account activity.

# Second Example



8 a.m. - 12 a.m. (ET)  
8 a.m. - 8 p.m. (ET)



If you are in bankruptcy or have been given a discharge for your bankruptcy, this letter is for information only. This letter is not an attempt to collect a debt. It is not an attempt to collect, assess or recover all or part of the debt from you. If a bankruptcy trustee is making your payments for you, please give a copy of this statement to the trustee.

Your escrow shortage amount does not include any actual shortage that might have been included before you filed for bankruptcy.

**Your escrow account is balanced.**

You have exactly the amount of money in your escrow account needed to pay your estimated property taxes and/or insurance for next year. Keep this statement for your records. You do not need to do anything else.

Your monthly payment will be \$1,704.80 starting 06/01/13.

### Escrow: Taxes and Insurance Statement

Loan Number	
Statement Date	06/03/2013
Review Period	03/2013 to 05/2013
<b>Escrow Shortage</b>	<b>\$0.00</b>

### Monthly Home Loan Payment

	Current Payment	New Payment Effective 06/01/2013
Principal & Interest	\$1,388.73	\$1,388.73
Escrow Account Deposit	\$0.02	\$316.07
<b>Total Payment Amount</b>	<b>\$1,388.75</b>	<b>\$1,704.80</b>

## Balancing Your Escrow Account

There needs to be enough money in your escrow account to pay your property taxes and/or insurance. To do that, federal law allows us to require that you keep a minimum balance in your account. This cash reserve helps to cover any increase in taxes and/or insurance. Subject to state law limits, your minimum balance normally equals the amount of your escrow payments for about two months.

The payments made to and from your escrow account last year help predict your account activity for next year. This year's activity also helps predict what your lowest account balance is likely to be.<sup>1</sup>

To balance your escrow account, we compare what your lowest account balance will likely be next year with your minimum required balance. If there is no difference between the numbers, your escrow account is balanced.

\$632.14	Your minimum required balance
\$-264.28	Your estimated lowest account balance for 2013 <sup>1</sup>
<b>\$0.00</b>	<b>Your escrow account is balanced</b>

<sup>1</sup>See the "Estimated Escrow Account Activity" chart in this statement.

## Escrow Account History

The chart below compares this year's activity on your escrow account with our estimates. The estimated amounts came from your last escrow account review.

- Your most recent mortgage payment due was \$1,388.75. Your mortgage payment includes principal and interest \$1,388.73 and escrow money \$0.02.
- At the time of your last escrow account review, your expected lowest balance was \$632.14. The chart below shows that your actual lowest escrow balance was \$787.94.

Note: changes in property taxes or insurance premiums create the difference between the estimated and actual amounts in the chart. An "E" in the chart below means expected activity that hasn't occurred yet.

\*Indicates a difference between the estimated and actual amounts.



## This Year: March 2013 to May 2013

Date	Activity	Estimated Amount	Actual Amount		Estimated Escrow Balance	Actual Escrow Balance
	Starting Balance				\$1,264.33	\$399.83
03/2013	Deposit	\$316.07	\$388.11	*	\$1,580.40	\$787.94
04/2013	Deposit	\$316.07	\$528.16	*	\$1,896.47	\$1,316.10
05/2013	Deposit	\$316.07	\$0.00	*	\$2,212.54	\$1,316.10
06/2013	Deposit	\$316.07	\$0.02	E	\$2,528.61	\$1,316.12
07/2013	Deposit	\$316.07	\$0.00	*	\$2,844.68	\$0.00
08/2013	Deposit	\$316.07	\$0.00	*	\$3,160.75	\$0.00
09/2013	Deposit	\$316.07	\$0.00	*	\$3,476.82	\$0.00
10/2013	Deposit	\$316.07	\$0.00	*	\$3,792.89	\$0.00
11/2013	Deposit	\$316.07	\$0.00	*		
	Withdrawal - HOMEOWNER IN	\$1,717.00	\$0.00	*	\$2,391.96	\$0.00
12/2013	Deposit	\$316.07	\$0.00	*		
	Withdrawal - COUNTY TAX	\$2,075.89	\$0.00	*	\$632.14	\$0.00
01/2014	Deposit	\$316.07	\$0.00	*	\$948.21	\$0.00
02/2014	Deposit	\$316.07	\$0.00	*	\$1,264.28	\$0.00
Total Deposits		\$3,792.84	\$916.29			
Total Withdrawals		\$3,792.89	\$0.00			
Account Balance as of 05/2013						\$1,316.12



## Escrow: Taxes and Insurance Statement

Loan Number [REDACTED]  
 Statement Date 06/03/2013  
 Review Period 03/2013 to 05/2013  
 Escrow Shortage \$0.00

[REDACTED]

### Expected Escrow Account Activity

The chart below estimates your escrow account balance for the next 12 months with your new monthly escrow account deposit of \$316.07 and any anticipated withdrawals. The chart shows that you will reach your estimated lowest account balance of \$-264.28 in December 2013 (highlighted below). That is equal to your minimum required balance of \$682.14.

### Next Year: June 2013 to May 2014

Date	Activity	Estimated Amount	Actual Amount	Estimated Escrow Balance	Actual Escrow Balance
	Starting Balance				\$1,316.12
06/2013	Deposit	\$316.07		\$1,632.19	
07/2013	Deposit	\$316.07		\$1,948.26	
08/2013	Deposit	\$316.07		\$2,264.33	
09/2013	Deposit	\$316.07		\$2,580.40	
10/2013	Deposit	\$316.07		\$2,896.47	
11/2013	Deposit	\$316.07			
	Withdrawal - HOMEOWNER IN	\$1,717.00		\$1,495.54	
12/2013	Deposit	\$315.07			
	Withdrawal - COUNTY TAX	\$2,075.89		-\$264.28	
01/2014	Deposit	\$316.07		\$51.79	
02/2014	Deposit	\$316.07		\$367.86	
03/2014	Deposit	\$316.07		\$683.93	
04/2014	Deposit	\$316.07		\$1,000.00	
05/2014	Deposit	\$316.07		\$1,316.07	
Total Estimated Deposits		\$3,792.84			
Total Estimated Withdrawals		\$3,792.89			
Estimated Account Balance as of May 2014				\$1,316.07	

### Expected Escrow Account Payments

This section reflects the escrow activity that is expected to occur in the next 12 months. The "Total Tax and Insurance Monthly Payment Amount" at the bottom of this chart is your new monthly escrow deposit, as listed on page 1 of this statement.

Tax			Insurance		
Item	Annual Expense	Anticipated Date(s) of Payment	Item	Annual Expense	Anticipated Date(s) of Payment
COUNTY TAX	\$2,075.89	December 13	HOMEOWNER IN	\$1,717.00	November 13
Total Tax and Insurance Monthly Payment Amount = \$316.07					

# Third Example

**ANNUAL ESCROW ACCOUNT  
DISCLOSURE STATEMENT  
PROJECTIONS FOR COMING YEAR**

April 15, 2013

Reference: Mortgage account # \_\_\_\_\_

Dear Mortgagor:

This is an estimate of activity in your escrow account during the coming year based on payments anticipated to be made from your account.

Escrow Item Description	Next Due Date	Estimated Next Amount Spread Over 12 Months	Est. Next Annual Amt. Adjusted for inflation
PMI Insurance		\$94.06	\$1,128.72
Hazard Insurance	Feb-14	\$83.82	\$1,005.81
County Taxes	Oct-13	\$177.42	\$2,129.09
Total Estimated Disbursements			\$4,263.62
Standard Monthly Escrow Deposit (12)			\$355.30
Minimum Reserve Requirement (-6)			\$710.60

Month	Deposit	PMI Insurance Disbursement	Disbursement	Escrow Balance
				\$157.53
May-13	\$355.30	\$94.06	\$0.00	\$418.79
Jun-13	\$355.30	\$94.06	\$0.00	\$680.03
Jul-13	\$355.30	\$94.06	\$0.00	\$941.27
Aug-13	\$355.30	\$94.06	\$0.00	\$1,202.51
Sep-13	\$355.30	\$94.06	\$0.00	\$1,463.75
Oct-13	\$355.30	\$94.06	\$2,129.09	-\$404.10
Nov-13	\$355.30	\$94.06	\$0.00	-\$142.86
Dec-13	\$355.30	\$94.06	\$0.00	\$118.38
Jan-14	\$355.30	\$94.06	\$0.00	\$379.62
Feb-14	\$355.30	\$94.06	\$1,005.81	-\$364.93
Mar-14	\$355.30	\$94.06	\$0.00	-\$103.71
Apr-14	\$355.30	\$94.06	\$0.00	\$157.53

\*Indicates projected monthly escrow balance low point

Your ending balance, from the anticipated last month of the account history (April, 2014) is \$157.53

This analysis projects an escrow account shortage of -\$1,114.70. -\$1,114.70

**Notice to Chapter 13 Mortgagors:** Please be advised that not all pre-petition payments may have been received from the Trustee on your mortgage. This analysis has been prepared based on figures as if these payments had been received.

**PLEASE KEEP THIS STATEMENT FOR COMPARISON WITH THE ACTUAL ACTIVITY IN YOUR ACCOUNT AT THE END OF THE NEXT ESCROW ACCOUNTING COMPUTATION YEAR.**

Your monthly mortgage payment for the coming year will be \$1,336.46 of which \$981.16 will be for PRINCIPAL AND INTEREST, and \$355.30 will go into your ESCROW ACCOUNT. This payment does not include any escrow adjustment for shortage.

Monthly Payment Information:

New payment effective with the

Payment due for September, 1, 2013.

Principal and Interest: \$981.16

Escrow Deposit: \$355.30

Escrow Adjustment: \$0.00

**TOTAL:** **\$1,336.46**

Customer Service

PAYMENT INFORMATION		03/01/13
PRINC & INT	981.16	981.16
ESCROW DEPOSIT	384.25	609.41
ESCROW ADJUST.	125.03	410.19
A&E / LIFE INS	.00	.00
OTHER - MISC.	.00	.00

PAYMENT AMOUNT	2,000.76
EFFECTIVE DATE	03/01/13

\* THE FEDERAL GOVERNMENT UNDER THE NEW RESPA FILING ALLOWS A PROTECTED ADJUSTMENT FOR COLLECTION OF INSURANCE AND TAX AMOUNTS USING THE INCREASE IN THE MOST RECENT CONSUMER PRICE INDEX (CPI).

\* THE FEDERAL GOVERNMENT UNDER THE NEW RESPA FILING ALLOWS A PROTECTED ADJUSTMENT FOR COLLECTION OF INSURANCE AND TAX AMOUNTS USING THE INCREASE IN THE MOST RECENT CONSUMER PRICE INDEX (CPI).

## LOW BALANCE SUMMARY

ANAL. Calcd for  $C_{10}H_{12}O$ : C, 88.10%; H, 11.90%. Found: C, 88.10%; H, 11.90%.

PROJECTED LOW POINT	3,703.44
ALLOWABLE LOW POINT	1,218.82

DEFICIT	.00
ESCROW ADJUSTMENT	
FOR 0 MONTHS	.00
SHORTAGE:	4,922.26
ESCROW ADJUSTMENT	
FOR 12 MONTHS	410.19
CURRENT PMT EFFECTIVE	03/01/13
PRINC & INT	981.16
ESCROW DEPOSIT	609.41
ESCROW ADJUST.	410.19
A&H / LIFE INS	.00
OTHER - MISC.	.00

TOTAL PAYMENT	2,000.76
---------------	----------

\* Your gross side lease pool was determined by taking the least amount allowed by HSAIA, 2 monthly service deposits, 20% by volume bridge loan documents. Other costs low, if applicable.

ANAL DT: 02/28/13  
Escrow Balance

Payments to Eborovi

#### Payments from Esrow

ANAL DT: 02/28/13  
Escrow Balance

MONTH	PROJECTED	ACTUAL	PROJECTED	ACTUAL	DESCRIPTION	PROJECTED	ACTUAL
10/12	384.25	.00	94.06	.00	BALANCE AS OF 10/01/12	1,494.08	2,444.84
10/12	.00	509.28	2,516.11	2,093.50	* PMI INS	1,784.27	2,444.84
10/12	.00	.00	.00	3,981.34	* CMTY TAX	731.84	860.62
10/12	.00	.00	.00	.00	* HAZ INSH	731.84	3,120.72
11/12	384.25	.00	94.06	93.30	* PMI INS	731.84	3,214.02
12/12	384.25	509.28	94.06	93.30	* PMI INS	441.65	3,307.32
12/12	.00	418.84	.00	.00	* PMI INS	151.46	2,891.34
01/13	384.25	.00	94.06	.00	* PMI INS	151.46	2,472.50
02/13	384.25	.00	94.06	.00	* PMI INS	138.73	.00
03/13	384.25	.00	94.06	.00	* PMI INS	428.92	.00
04/13	384.25	.00	94.06	.00	* PMI INS	719.11	.00
05/13	384.25	.00	94.06	.00	* PMI INS	1,009.30	.00
06/13	384.25	.00	94.06	.00	* PMI INS	1,299.49	.00
07/13	384.25	.00	94.06	.00	* PMI INS	1,589.69	.00
07/13	.00	.00	94.06	.00	* PMI INS	1,879.87	.00
08/13	384.25	.00	94.06	.00	* HAZ INSH	913.72	.00
09/13	384.25	.00	94.06	.00	* PMI INS	1,203.91	.00
09/13	384.25	.00	94.06	.00	* PMI INS	1,494.10	.00

This statement represents the new **Accrual Basis** **ESBROW ACCOUNT** performed on your loan by [REDACTED] in accordance with the RESPA law. The **ESBROW ACCOUNT DISCLOSURE** statement indicates estimates of the accrual items to be disclosed from your account during the next year, adjusted by the most recent change in the Consumer Price Index (CPI) for the preceding year, as indicated on the disclosure. The **ESBROW ACCOUNT PROJECTION** statement projects the payments and disbursements expected for the coming year using the amounts and dates shown on the **ESBROW ACCOUNT DISCLOSURE**. The purpose of the **PROJECTION** is to indicate the lowest balance that will be reached by the end of the year based on the actual sales and the average rate of interest. The RESPA law authorizes multiplication of a minimum rate of interest to determine the "Floor." This "Floor" (MTR) is the lowest interest rate on which the average rate of interest can be applied. The actual rate will vary from year to year, but will be adjusted to indicate increases and decreases in the scheduled, disbursements, or a change in the due date of an accrual item. Since your monthly payments are based upon disbursements made during the prior year, exceptions are expected. By comparing the actual accrual items to those projected last year, you will be able to determine if there is any over or under payment resulting in a balance change.

# Fourth Example

**ANNUAL ESCROW ACCOUNT DISCLOSURE  
STATEMENT AND NEW MORTGAGE  
PAYMENT NOTIFICATION**

Disclosure Statement Date: 01/17/2013

New Payment Effective Date: 03/01/2013

LOAN NUMBER:

Customer Service:   
Customer Service Hours:   
Monday - Thursday 8:30 am to 5:15 pm   
Friday 8:30 am to 6:00 pm



**Payment Information**



	Current Monthly Payment	New Monthly Payment
Principal & Int	857.73	857.73
Escrow Payment	201.32 *	247.33
Over/Short Amt	0.00	65.18
<b>Total Payment</b>	<b>1,059.05</b>	<b>1,170.24</b>

\* Includes shortage amount, if applicable

If you use our automatic payment option, your monthly deduction will be changed automatically.



**Anticipated Escrow Disbursements**

(Items to be paid from your escrow account)

Hazard Ins	499.00
County Tax	2,468.95
<b>Total Disbursement(s):</b>	<b>2,967.95</b>

**Monthly Escrow Deposit:** 247.33

Your Monthly Escrow Deposit was calculated by dividing the Total Disbursement(s) by 12.

**Escrow Balance Comparison**

Your Required Low Point (RLP) is the amount allowed by the Real Estate Settlement Procedures Act (RESPA), your mortgage loan documents, or by state law, if applicable. If an escrow surplus is indicated, a check may be attached or sent under separate cover.

Projected Low Point	-287.48
Required Low Point	(-) 494.66
<b>Escrow Shortage</b>	<b>782.14</b>

reviews your escrow account annually to determine if the current monthly payment amounts are sufficient to cover your projected property taxes and/or insurance premiums. Increases or decreases in these annual amounts may cause your monthly mortgage payment to change. Your monthly mortgage payment may also change if your loan includes an adjustable rate feature or buydown assistance.

The following section reflects the anticipated escrow activity for the next 12 months. See the reverse side for actual escrow history. Projected figures are based on the last tax or insurance payments or figures provided to BB&T by your disbursement agent.

**Escrow Account Projections**

Month	Anticipated Activity		Description	Escrow Balance Comparison	
	Payments To Escrow	Payments From Escrow		Projected Balance	Required Balance
			<b>Beginning Balance</b>	454.50	1,236.64
MAR	247.33	0.00		701.83	1,483.97
APR	247.33	0.00		949.16	1,731.30
MAY	247.33	0.00		1,196.49	1,978.63
JUN	247.33	0.00		1,443.82	2,225.96
JUL	247.33	0.00		1,691.15	2,473.29
AUG	247.33	499.00	Hazard Ins	1,439.48	2,221.62
SEP	247.33	0.00		1,686.81	2,468.95
OCT	247.33	0.00		1,934.14	2,716.28
NOV	247.33	2,468.95	County Tax	-287.48 PLP	494.66 RLP
DEC	247.33	0.00		-40.15	741.99
JAN	247.33	0.00		207.18	989.32
FEB	247.33	0.00		454.51	1,236.65

These calculations indicate the Projected Low Point (PLP) will be less than the Required Low Point (RLP). The resulting shortage is \$782.14. If you choose to pay your shortage in full, your new monthly payment will be \$1,105.06.



Continuation of  
**ESCROW ACCOUNT DISCLOSURE STATEMENT**

## Escrow Account History

The following is a review of your escrow account activity. It also compares the projections from your last review with the actual payments made from your escrow account.

(\*) An asterisk indicates a difference between your projected and actual account activity.

(E) The payment or disbursement has not yet occurred, but is estimated to occur as shown.

Month	Payments to Escrow		Payments from Escrow				Escrow Balance	
	Projected	Actual	Projected	Description	Actual	Description	Projected	Actual
						<b>Beginning Balance</b>	1,006.61	1,006.61
MAR	201.32	201.32					1,207.93	1,207.93
APR	201.32	201.32					1,409.25	1,409.25
MAY	201.32	201.32					1,610.57	1,610.57
JUN	201.32	0.00 *					1,811.89	1,610.57
JUL	201.32	0.00 *					2,013.21	1,610.57
AUG	201.32	201.32	439.00	Hazard Ins	499.00	*Hazard Ins	1,775.53	1,312.89
SEP	201.32	201.32					1,976.85	1,514.21
OCT	201.32	0.00 *					2,178.17	1,514.21
NOV	201.32	201.32	1,976.85	County Tax	2,468.95	*County Tax	402.64	-753.42
DEC	201.32	0.00 *					603.96	-753.42
JAN	201.32	1,006.60 E					805.28	253.18
FEB	201.32	201.32 E					1,006.60	454.50







McCalla Raymer, LLC

# Escrow Analyses During A Bankruptcy Case

Trustees should expect servicers to run an escrow analysis each year while the case is pending and raise/decrease the payment\* as necessary because of shortages or changes in the disbursement amounts.



W. Jeffrey Collier  
Attorney Representing  
Chapter 13 Trustee for the  
Northern District of Mississippi  
Locke D. Barkley (Jackson, MS)

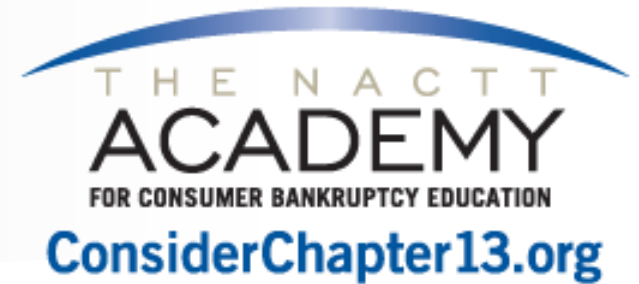
\**In re Hosley*, 2008 WL 5169552 (N.D.N.Y.)

\**In re Cole*, 202 B.R. 375 (Bankr. E.D. Pa. 1996)





McCalla Raymer, LLC



Michael J.  
McCormick

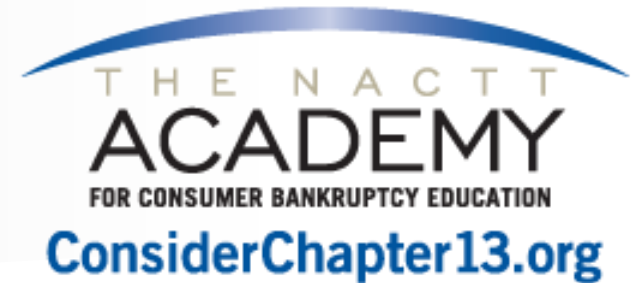


W. Jeffrey  
Collier

## Demystifying Mortgage Escrow



McCalla Raymer, LLC



## Demystifying Mortgage Escrow

This and other resources can be found at  
**ConsiderChapter13.org**

Thank you for joining the webinar.