

RESPA Escrow Calculator

Glossary of Terms

These definitions have been modified slightly for clarification. The standard definitions are available in Sections 3500.2 and 3500.17.

Aggregate Adjustment: the difference in the deposit required under aggregate accounting and the sum of the deposits required under single-item accounting (which is used when listing escrow items on the HUD-1). This adjustment will always be either a negative number or zero (-0-).

Aggregate Analysis: an accounting method a servicer uses in conducting an escrow account analysis by computing the sufficiency of escrow account funds by analyzing the account as a whole. This is the required method for computing the amount the borrower must provide for escrows at closing and for computing the amount that must be maintained in the borrower's escrow account.

Annual Escrow Account Statement: a statement that the servicer provides the borrower within 30 calendar days of the end of the escrow account computation year, after conducting an escrow account analysis. The required contents of the statement are set forth in section 3500.17(i).

Cushion or Reserve: funds that a servicer may require a borrower to pay into an escrow account to cover unanticipated disbursements or disbursements made before the borrower's payments are available in the account. RESPA allows a cushion of no more than 1/6 of the total annual disbursements. This equals to 2 months' escrow payments; however, sometimes state law may allow for less. Each servicer must comply with the laws applicable in its circumstances. The borrower is usually notified of the cushion used at closing. The cushion limits should be reflected in the mortgage loan documents.

Deficiency: a negative balance in an escrow account.

Disbursement Date: the date on which the servicer actually pays an escrow item from the escrow account.

Escrow Account: any account that a servicer establishes or controls on behalf of a borrower to pay taxes, insurance premiums (including flood insurance), or other charges with respect to a federally related mortgage loan, including charges that the borrower and servicer have voluntarily agreed that the servicer should collect and pay. The definition encompasses any account established for this purpose, including a "trust account", "reserve account", "impound account", or other term in different localities. Escrow account excludes any account that is under the borrower's total control.

Escrow Account Analysis: the accounting that a servicer conducts in the form of a trial running balance for an escrow account to:

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

Escrow Account Computation Year: 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).

Escrow Account Item or Escrow Item: any separate expenditure category, such as "taxes" or "insurance", for which funds are collected in the escrow account for disbursement. An escrow account item with installment payments, such as local property taxes, remains one escrow account item or escrow item regardless of multiple disbursement dates to the tax authority.

HUD-1 or HUD-1A: the statement used for detailing settlement charges (closing costs) in connection with either the purchase or the refinancing (or other subordinate lien transaction) of 1- to 4-family residential property.

Initial Payment Date: the due date for the borrower's first payment to an escrow account. The date normally coincides with the mortgage payment date as the escrow payment is included in it.

Initial Escrow Account Statement: the first disclosure statement that the servicer delivers to the borrower concerning the borrower's escrow account. The initial escrow account statement shall meet the requirements of section 3500.17(g) and be in substantially the format set forth in section 3500.17(h).

Installment Payment: one or more payments payable on an escrow account item during an escrow account computation year. An example of an installment payment is where a jurisdiction bills quarterly for taxes.

Payment due date: the date each month when the borrower's monthly payment to an escrow account is due to the servicer. The initial payment date is the borrower's first payment due date to an escrow account.

RESPA: the Real Estate Settlement Procedures Act of 1974, U. S. C. 2601 et seq.

Servicer: the person responsible for the servicing of a mortgage loan (including the person who makes or holds a mortgage loan if such person also services the mortgage loan).

Settlement or Closing: the process of executing legally binding documents regarding a lien on property that is subject to a federally related mortgage loan. This process is called "closing" or "escrow" in different jurisdictions.

Shortage: an amount by which a current escrow account balance falls short of the target balance at the time of escrow analysis.

Single Item Analysis: an accounting method servicers use in conducting an escrow account analysis by computing the sufficiency of escrow account funds by considering each escrow item separately.

State: any State of the United States, the District of Columbia, the Commonwealth of Puerto Rico, and any territory or possession of the United States.

Surplus: an amount by which a current escrow account balance exceeds the target balance for the account.