Why You Need An Escrow Account

Capital Title
A Shaddock Company

How Escrow Works

Your lender adds up costs outside of your mortgage payment - taxes and insurance - and divide the total cost by 12 months and add it to your monthly mortgage payment. Your escrow account builds with each monthly payment and the funds are withdrawn to pay for those bills as they are due.

Benefit #1 - Personal Payment Manager

You make one monthly payment that includes your mortgage principle and interest, insurance and tax expenses. Your lender takes care of paying the various bills due throughout the year.

Benefit #2 - Spread Out Annual Costs

Don't stress trying to come up with lump sum payments at the end of the year.

The mortgage company may also pay your hazard insurance policy premium each year to be certain you have insurance and to protect their interest in your home in case of damage and destruction due to fire or other covered hazard. If you have a fire or other covered hazard in your home and it is damaged or destroyed and you have a mortgage on the home, there are two options (depending on your mortgage):

1. COLLECT the insurance and payoff the mortgage on your home and have a foundation and partially destroyed home on your hands with which to rebuild.
2. Use the insurance proceeds to rebuild and repair your home and continue your mortgage payments as usual.

The insurance company makes all insurance claim checks payable to both you and the mortgage company, and the mortgage company will not endorse the check to you until all repairs have been made. REMEMBER THAT, in essence, the mortgage company owns a part of your property until their note is paid in full.

Example

MONTH	PAYMENT	BALANCE	EXPENSE
Start		$1500	
1	+ $650	$950	- $1200
2	+ $650	$1600	
3	+ $650	$2250	
4	+ $650	$1700	- $1200
5	+ $650	$2350	
6	+ $650	$3000	
7	+ $650	$2450	- $1200
8	+ $650	$3100	
9	+ $650	$3750	
10	+ $650	$3200	- $1200
11	+ $650	$3850	
12	+ $650	$2500	- $2000

The information contained herein is obtained from outside parties and Capital Title makes no claim as to its accuracy.