

INITIAL ESCROW ACCOUNT DISCLOSURE STATEMENT

Your monthly mortgage payment until your next escrow analysis will consist of the following:

| | |
|-------------------------|------------------------|
| Principal and Interest: | \$ 955.05 |
| Escrow: | <u>\$ 49.51</u> |
| Total Monthly Payment: | \$1,004.56 |

The following are anticipated disbursements and deposits from your escrow account during the coming year:

| <u>Month</u> | <u>Deposits to Escrow</u> | <u>Disbursements From Escrow</u> | <u>Description</u> | <u>Escrow Account Balances</u> |
|------------------------|---------------------------|----------------------------------|-------------------------|--------------------------------|
| <i>Initial deposit</i> | | | | \$ 58.95 |
| SEPTEMBER | \$ 49.51 | \$ | | \$ 108.46 |
| OCTOBER | \$ 49.51 | \$ | | \$ 157.97 |
| NOVEMBER | \$ 49.51 | \$ | | \$ 207.48 |
| DECEMBER | \$ 49.51 | \$ | | \$ 256.99 |
| JANUARY | \$ 49.51 | \$ | | \$ 286.50 |
| FEBRUARY | \$ 49.51 | \$ | | \$ 356.01 |
| MARCH | \$ 49.51 | \$ 177.03 | CITY TAX | \$ 288.49 |
| APRIL | \$ 49.51 | \$ | | \$ 278.00 |
| MAY | \$ 49.51 | \$ | | \$ 327.51 |
| JUNE | \$ 49.51 | \$ | | \$ 377.02 |
| JULY | \$ 49.51 | \$ 240.00 | HAZARD INSURANCE | \$ 186.53 |
| AUGUST | \$ 49.51 | \$ 177.03 | CITY TAX | \$ 59.01 |

PLEASE KEEP THIS STATEMENT TO COMPARE WITH THE ACTUAL ACTIVITY THAT WILL OCCUR IN YOUR ESCROW ACCOUNT DURING THE UPCOMING YEAR.

Cushion: **\$ 59.01**

Itemization of anticipated disbursements from your escrow account:

| | | |
|-----------------|-------------------|---------------|
| 07/01/02 | HAZARDINS | 240.00 |
| 03/01/02 | CITY TAX | 177.03 |
| | FLDINSUR | |
| | ANNUALPMI | |
| | CNTY TAX | |
| 09/01/02 | CITY TAX | 177.03 |
| | ANN ASSESS | |

NOTE: The Real Estate Settlement Procedures Act (RESPA) establishes specific guidelines regarding the amount that lenders are permitted to collect for the payment of escrow items during the initial escrow computation year, i.e, the next twelve months. Unless authorized by you to do otherwise, your lender may collect only for disbursements that will occur during the coming year. If your monthly tax escrow amount has been based on unimproved (or lot) tax amounts or if your taxes were prepaid at closing and the next disbursement is not within the initial 12 month escrow computation year, your initial escrow amount for taxes will be lower than normal or may be zero. This may cause a significant increase in your monthly payment when your escrow account is analyzed in the normal twelve month timeframe. In order to minimize the amount of this payment increase, you may request an early analysis of your escrow account prior to the scheduled annual analysis.

Borrower Date

Co-Borrower Date

INFORMATION ABOUT THE INITIAL ESCROW ACCOUNT DISCLOSURE STATEMENT

An Initial Escrow Account Disclosure Statement is provided to you in accordance with the requirements of the Real Estate Settlement Procedures Act (RESPA). The following are answers to some frequently asked questions about escrow accounts.

WHAT IS AGGREGATE ANALYSIS?

Aggregate analysis (or composite analysis) is an accounting method used to determine whether there are sufficient funds in the escrow account to make escrow disbursements on the *disbursement dates*. The aggregate analysis method evaluates the escrow account as a whole rather than considering each escrow item individually as in single-item analysis.

WHAT ARE ESCROW DISBURSEMENTS?

Along with payments for principal and interest, funds are collected in the escrow account for future expenditures for items such as taxes and insurance bills. The date on which the lender actually disburses funds for each of these items is the *disbursement date*.

The lender provides the funds to pay taxes on the *disbursement date*. The *disbursement date* for taxes is based on when taxes may be paid with a discount or, if no discount is offered, without penalty.

If a taxing authority offers a discount for early payment, the *disbursement date* is set to take advantage of the discount.

If a taxing authority does not offer a discount, but provides a due date and a later penalty date, the *disbursement date* is set prior to the penalty date.

If a taxing authority does not offer a discount for early payment and taxes are considered delinquent after the due date, the *disbursement date* is set prior to the due date.

WHAT IS A CUSHION?

A cushion (or reserve) refers to the funds that you are required to pay into an escrow account to cover unanticipated disbursements or disbursements made before your payments are available in the escrow account. An example of an unanticipated expense is an increased hazard insurance policy premium. An example of a disbursement made before your payment is available in the escrow account is a tax bill disbursed on the 1st of the month with the mortgage payment not received until the 3rd of the month.

The cushion for your loan depends on the type of loan and the state in which the property is located, but may not be more than 1/6" of the estimated annual disbursements from the escrow account. Your lender may not require a cushion on FHA, MIP or on conventional PMI types of loans.

Note: These explanations are intended to help you understand your Initial Escrow Account Disclosure Statement. These explanations should not be considered legal advice - if you have legal questions, consult your attorney.