Escrow Accounts: Taxes and Insurance on Autopilot

Why your payment has four parts, not two.

WHAT THE ACCOUNT DOES

Each month, one twelfth of your annual property taxes and homeowners insurance rides along with your payment. The servicer holds it and pays those bills for you when due.

WHY PAYMENTS CHANGE

When taxes or insurance rise, the account runs short and your payment adjusts at the annual review. The loan itself did not change, just the bills it covers.

OPTIONAL FOR SOME

With 20%+ down on conventional loans you can often waive escrows and pay taxes and insurance yourself. Government loans generally require the account.

QUICK FACTS

- **PITI: principal, interest, taxes, insurance**
- **Reviewed and adjusted once a year**
- **A cushion of about two months is standard**
- **Shortages can be paid or spread out**
- **Waivable with 20% down on conventional**

YOUR MORTGAGE GUIDE
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