Understanding Your Escrow Analysis Statement

Understanding your escrow analysis statement for your mortgage can be confusing. Luckily, your friends at Signature FCU are here to help. Let us break it down.

Your escrow analysis statement has three main sections.

First – Your escrow account history. This is where you will see the payments you have made to your escrow account. Here you will also see the payments that the credit union has made towards the entities in your escrow, such as your property taxes and homeowner's insurance.

Next, you will see the escrow projections from the previous year. This section shows the differences in your payments from this year compared to last year. This will help you visualize the increase or decrease in your monthly payments.

The last page of the statement is your escrow projections for the upcoming year. The credit union reviews your account history with your current monthly payment to determine if your new payment will need to increase or decrease.

Surplus, Shortage, Deficiency…What does it all mean?

Now to decipher what it all means. You may see the following words next to a dollar amount on your statement: Surplus, Shortage, and Deficiency.

Surplus means that you paid more than you needed to into your escrow account. Typically, this means that the annual payment for one or more of your escrow entities decreased or remained the same. For example, if your property taxes or homeowners' insurance cost decreased from the previous year. That surplus amount goes back directly to you.

Shortage means that you did not pay enough into your escrow account. Typically, this means that one or more of your escrow entities' annual payments increased. As your lender, we pay your escrow entities, regardless of your balance. The shortage amount is how much you owe to your escrow account.

Deficiency means that you have shortage, but you are also negative in your escrow account as well. An escrow account requires at least 2 months' worth of payments as a cushion, or safety balance. If you have a deficiency, that means you do not have enough money in your escrow account to cover the 2 months of payments and the shortage amount.

Putting It All Together

If you have a shortage or deficiency, you can pay this amount up front in full. If you cannot afford to make the full payment for the shortage or deficiency, that amount will be split into 12 equal amounts and rolled into your escrow payment for the next year.

At the end of your escrow analysis statement there is a recalculation of your escrow payment. If you have a surplus, your monthly payment will decrease. If you have a shortage or deficiency, your monthly payment will increase.

We hope this has helped you understand more about your escrow account. If you have any questions, we are here to help.