



ESCROW FAQ – Everything You Need to Know About Escrow

Q. What is an escrow account?

With every regular monthly mortgage payment you make, a portion is set aside and placed into an escrow account. From this account, your insurance and real estate tax bills are paid. Chelsea Groton receives the insurance/tax bills directly and remit payment as needed.

Q. What bills can be paid out of escrow?

This depends on what items are included in your escrow account. However, typical items are real estate property taxes, mortgage insurance, flood insurance, and hazard insurance premiums. Homeowner association dues, non-real estate tax bills, interim bills and non-required insurance bills are excluded. In the event you receive an additional bill from your town's tax collector or insurance company, please forward to us right away to ensure it can be paid. Feel free to call Loan Servicing at 860-448-4114 to confirm what is included in your escrow account.

Q. How do you figure out how much of my payment goes to Escrow?

There is a calculation we use to ensure that you will have enough money in your escrow account to pay future tax bills/insurance premiums without exceeding your minimum escrow balance. We add all the tax/insurance payments for the year, and then divide that amount by 12. Then we add the required cushion to account for any increases in these payments. The total monthly figure is then added to your mortgage payment amount.

Q. How do you determine how much my future insurance and property tax payments will be?

We review your previous bills and other sources to project how much will need to be withheld for escrow on a running 12-month basis, or we will use amounts based on communications sent directly to us by your town tax collector and insurance provider.

Q. Does my escrow amount change?

We review your escrow account on a 12-month basis and make changes to reflect any increases or decreases to your taxes and/or insurance. You'll receive a notification from us of any changes to your escrow account when you receive your escrow analysis disclosure.

Q. Will I get money back if I have an overage in my escrow account at year's end?

Your escrow account analysis occurs on a review schedule that is provided to you when you close on your loan. Any overage over \$50 will be refunded to you with your escrow analysis disclosure, and any amounts under \$50 will be applied to your escrow balance for the following year.

Q. What is the minimum balance requirement for an escrow account?

The minimum balance requirements for escrow are determined and monitored by state/federal law, and your loan contract. The purpose of the minimum balance requirement is to ensure your escrow account will not be overdrawn due to increases in your tax or insurance payments. The minimum balance requirement equals 1/12 of the sum anticipated to be paid from your escrow account in the upcoming 12 months. This could change depending on laws set by the state in which you live.



Q. Why did I get an overage refund when my payments increased?

As previously mentioned, your payment is determined based on the most recent payment information available at the time of your escrow review. We will send you a refund check if your payment increase is lower than anticipated, the overage amount is \$50 or more, and your loan is current.

Q. Instead of receiving a check for the mortgage, can I choose to have those funds applied to my mortgage payment?

We are required to send you a check for overages of \$50 or more if you are current on your loan, and you should continue making your payment as usual.

Q. How does my escrow balance have a shortage?

Generally, a shortage occurs when there are not enough funds to cover actual account obligations. If we receive a new tax or insurance bill with increases over what we anticipated, your escrow will be less than the minimum balance requirement.

Q. How do I pay back my escrow shortage?¹

There are 2 ways to eliminate a shortage in your escrow account:

- a) You can pay the entire shortage if the payment is made prior to your September payment (the first month following your annual escrow analysis). Contact our Loan Servicing department at 860-448-4114 to make arrangements.
- b) If you do not choose to pay the shortage, no further action is required. Instead, we'll automatically spread the shortage over 12 months by increasing your mortgage payment just enough to cover the shortage over the course of the year.²

Q. Will I pay a penalty/fee for not paying my shortage in full?

There is no penalty or additional fees for either shortage repayment option.

Q. Will paying my shortage in full stop my regular mortgage payment from increasing?

The amount you pay is based on anticipated increases or decreases in your taxes/insurance. If there are increases in either of those obligations, your mortgage payment may increase.

Q. Why would my taxes and/or insurance increase?

We cannot provide an explanation for why your property taxes and/or insurance premiums increase. We recommend contacting your town tax assessor or tax collector and/or your insurance provider for more information.

Q. If I know I will have an increase in my taxes and/or my insurance, can I pay additional funds into my escrow account to cover it?

¹ These options only apply to Residential escrow accounts.

² Commercial escrow shortages & deficiencies are required to be paid in full with the October payment. Please contact your loan officer with any questions.



No, you are only permitted to pay the amount billed. We will still pay your tax and insurance obligations when they come due, even if there is a shortage in your escrow account at the time.

Q. I have an automatic payment set up to pay my mortgage. Will the automatic payment amount be adjusted to cover the new payment amount?

If the automatic payment is set up by our institution, your payment amount will automatically be adjusted. If the auto-payment is set up by another bank or online financial institution, you will need to contact them to make the adjustment.

Q. If I use a third-party service to make my payments, what will I need to do to cover any new changes in my payment amount?

You will need to contact the third-party service immediately and provide them with the new payment amount as reflected on the escrow disclosure we provide to you.