

Consumer Alert

Changes to Mortgage Escrow Accounts

October 17, 2018

In July 2017, the Vermont Statute 8 V.S.A. § 10404, Home Loan Escrow Accounts state legislation went into effect. The change to state law brought Vermont in line with federal requirements under the Real Estate Settlement Procedures Act of 1974 (RESPA) (12 U.S.C. 2601 *et seq.* and CFPB Regulation X.

Under the new state law and federal regulation, mortgage lenders:

- Are required to maintain escrow account funds in a federally insured depository institution;
- May maintain up to a two-month cushion on escrow accounts;
- Must complete an escrow account analysis annually and upon receipt of the property tax bill; and
- Must provide to the borrower financial statements at least annually relating to the escrow account.

For a consumer (borrower) that has a mortgage which requires an escrow account by the lender, the biggest take away is two-fold:

- Your monthly escrow payment may increase due to an increase to a two-month cushion in your escrow account, which may translate to an overall higher monthly mortgage payment.
- Your lender is required to complete an escrow account analysis upon receipt of the property tax bill, notify you of any changes to your monthly escrow account payment within 30 days and provide you with the financial statements related to your escrow account.

Details of these changes are outlined in [Banking Bulletin #48 – Home Loan Escrow Accounts](#), issued by the Vermont Department of Financial Regulation. Included in this consumer alert, is an example of how your escrow payments may increase, as displayed in an Escrow Analysis Statement.

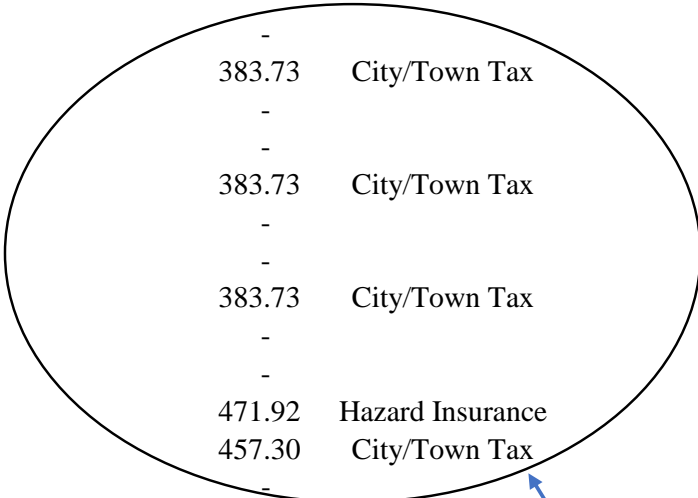
If your monthly mortgage payments have increased and you do not understand the changes, please contact your lender. If your lender changed your monthly mortgage and escrow payments without notifying you, please contact DFR Banking Division.



SAMPLE: Escrow Analysis Statement

Amount of monthly mortgage payments added

Month	Payments to Escrow	Payments from Escrow	Description	Projected Balance	Required Balance
Beginning Balance				80.69	180.57
15-Sep	166.14	-		246.83	346.71
15-Oct	173.37	-		420.20	520.08
15-Nov	173.37	383.73	City/Town Tax	209.84	309.72
15-Dec	173.37	-		383.21	483.09
15-Jan	173.37	-		556.58	656.46
15-Feb	173.37	383.73	City/Town Tax	346.22	446.10
15-Mar	173.37	-		519.59	619.47
15-Apr	173.37	-		692.96	792.84
15-May	173.37	383.73	City/Town Tax	482.60	582.48
15-Jun	173.37	-		655.97	755.85
15-Jul	173.37	-		829.34	929.22
15-Aug	173.37	471.92	Hazard Insurance	73.49	630.67
15-Aug		457.30	City/Town Tax	372.04	173.37
15-Sep	173.37	-		246.86	346.74
Totals:	2,246.58	2,080.41			



Minimum Balances: 73.49 173.37

Scheduled payments from escrow for property taxes & insurance

Neither of the above amounts should exceed cushion allowed shown left

Monthly Payment Cushion Allowed

New monthly 173.37 346.74

This amount **should not** be more than twice the new

