

FAQ – ESCROW ANALYSIS

Q: What bills are paid from an escrow account?

A: We collect funds in an escrow account to pay:

- Real estate taxes
- Premiums for insurance required to protect the property, such as Homeowners insurance and/or flood insurance
- Premiums for private mortgage insurance
- Annual fees for government-guaranteed loans

We do not collect funds in an escrow account to pay:

- Interim tax bills
- Homeowners association fees
- Premiums for non-required insurance policies, such as separate personal property insurance
- Special or added tax assessments
- Other fees that are not included in your real estate tax bill

Q: Do I need to send you my real estate tax bill each time it is due?

A: We usually receive real estate tax information directly from the taxing authority. If you receive a tax bill, please provide a copy to your local Hebron Savings Bank office.

Q: Does Hebron Savings Bank pay interest on the funds in my escrow account?

A: Yes. The interest earned on your escrow account is paid to the account each December.

Q: After I have paid my mortgage in full, will you refund the money in my escrow account?

A: Yes. Interest due will be paid to the escrow account, and you will receive a check for the balance along with your final escrow statement.

Q: Where can I find more information about my escrow account?

A: For additional escrow account information, review your escrow account disclosure statement. You will receive this statement by mail annually. The statement will show your previous escrow account activity and projected future activity, including any changes to your monthly mortgage payment.

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Q: What is an escrow analysis?

A: Your account is reviewed each year to ensure that the escrow portion of your monthly mortgage payment covers your real estate taxes and insurance premiums while maintaining the minimum escrow account balance, if there is one. Increases or decreases in your annual tax or insurance bills may cause your monthly mortgage amount to change.

If bills paid from your escrow account before the escrow analysis were higher than expected, your account may have a shortage. If bills were lower than expected, your account may have an overage/surplus.

After each escrow analysis, we will mail you an escrow account disclosure statement.

Q: When will you conduct my escrow analysis?

A: We analyze all escrow accounts annually and will schedule your analysis for the same month each year.

Q: What is an escrow account shortage or deficiency, and what should I do if I have one?

A: If the real estate taxes and homeowner's insurance premiums we paid on your behalf were higher than expected, your escrow will have a shortage, which will appear on your escrow account disclosure statement.

You can pay an escrow account shortage in one of two ways:

- **Pay the amount in full** by sending your payment along with the shortage payment coupon on your escrow account disclosure statement.
- **Pay over 12 months**, with 1/12 added to each monthly mortgage payment. We will do this automatically if you do not pay in full.

Q: I closed my loan a year ago, and there is now a considerable shortage. What happened?

A: The real estate taxes and homeowner's insurance we paid on your behalf may have been higher than expected. We may also have learned that past-due tax or insurance bills were not paid at closing, and we have paid them on your behalf.

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Q: Why does my account require a minimum balance, and how do you determine the amount?

A: A minimum balance helps ensure that if taxes or insurance premiums increase, your account can cover them without a significant shortage. Minimum balance requirements are governed by federal law, your loan contract, and applicable state law. The minimum balance equals two months of escrow payments (not including mortgage insurance) unless state law or your loan contract requires a lesser amount.

Q: How is my monthly escrow amount determined?

A: To determine your escrow payments, we:

1. Estimate the amount we will pay over the next 12 months for your real estate tax and homeowners insurance bills. We base this estimate on information from your loan closing documents, your taxing authority and insurance company, or your previous tax and insurance bills.
2. Divide the estimated amount by 12 and add the result to your monthly payment.
3. Consider escrow reserves, which consist of two months of escrow payments as a cushion.
4. Determine whether any adjustments, such as shortage payments or deficiency payments, are necessary to keep your escrow account in balance.

Q: Will my monthly escrow amount ever change?

A: It may. We review your account annually to ensure we collect the right amount to cover your projected taxes and insurance premiums. If these payments increase or decrease, we will recalculate your escrow payment amount during your analysis. This is separate from the calculation to determine whether you have a shortage or overage, so your payment amount could increase even if you pay your shortage in full. Any changes to your escrow payment amount will appear on the escrow account disclosure statement you receive annually.

Q: My real estate taxes or insurance premiums have gone down. Why hasn't my payment?

A: Because we only analyze your escrow account annually, the adjustment to your payment may be delayed until the analysis is completed.

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Q: Why did my real estate taxes or homeowner's insurance increase?

A: If you have questions about changes to your taxes or insurance premiums, contact your local taxing authority or insurance company.

Q: If I expect my real estate taxes or insurance premiums to increase, do I have to send more than the amount listed on my statement?

A: You do not have to. We will pay your required tax and insurance bills when they are due, regardless of your escrow account balance, so additional funds are not required. But when you make a mortgage payment, you may send extra money to be deposited into your escrow account. If you choose to do this, you must make a separate note in the memo of your check what portion is to be applied separately for escrow.

Q: I paid real estate taxes and insurance as part of my closing costs when I closed my loan. Why are you collecting funds for bills I already paid?

A: The tax or insurance payments you made at closing were for bills due immediately or for the initial deposit to your escrow account. We continue to collect funds in your escrow account to cover future real estate taxes and insurance premiums when they are due.

Q: Where can I see the current amounts for my tax and insurance bills?

A: Go to your mortgage account online at www.hebronsavingsbank.com. On the Account Summary page, select Details / Transaction Activity to see the most recent amounts paid for your real estate taxes and homeowners' insurance. Remember that these amounts reflect payments we have made in the past. If they do not match your most recent tax and insurance bills, it is because we have not paid those yet.

If you have a new loan, and we have not made any payments from your escrow account, review the Initial Escrow Account Disclosure Statement you signed at closing. The amounts listed on this document are based on tax and insurance information received when closing your loan.

Q: I have scheduled automatic payments for my mortgage. What will happen if my escrow payment amount changes?

A: If your loan is set up to debit your Hebron Savings Bank checking or savings account automatically, we will adjust your payments based on your new escrow amount. Your first monthly payment for the new amount will be due on the effective date in your escrow account disclosure statement. (Continued...)

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If you have set up automatic mortgage payments from your Hebron Savings Bank checking or savings account using our online Bill Pay service, you must update future payments with the new amount shown in the escrow account disclosure statement, starting with the payment due on the effective date.

If you have set up automatic mortgage payments through a non-Hebron Savings Bank bill pay service banking site or another third party, you must update future payments with the new amount shown in the escrow account disclosure statement, starting with the payment due on the effective date.