

Escrow Accounts & Prepaid Items

A large part of your loan estimate are taxes and insurance. These fees are called “prepaid items” and are part of your closing costs.

Prepaid Taxes

Taxes are paid by the bank twice a year. The bank pays for taxes up front starting from your first payment date. Property taxes are paid in April for the months of January 1st through June 30th and in October for the months of July 1st through December 31st. Remember that prepaid taxes are also on a fixed timeline and can adjust depending on your close date.

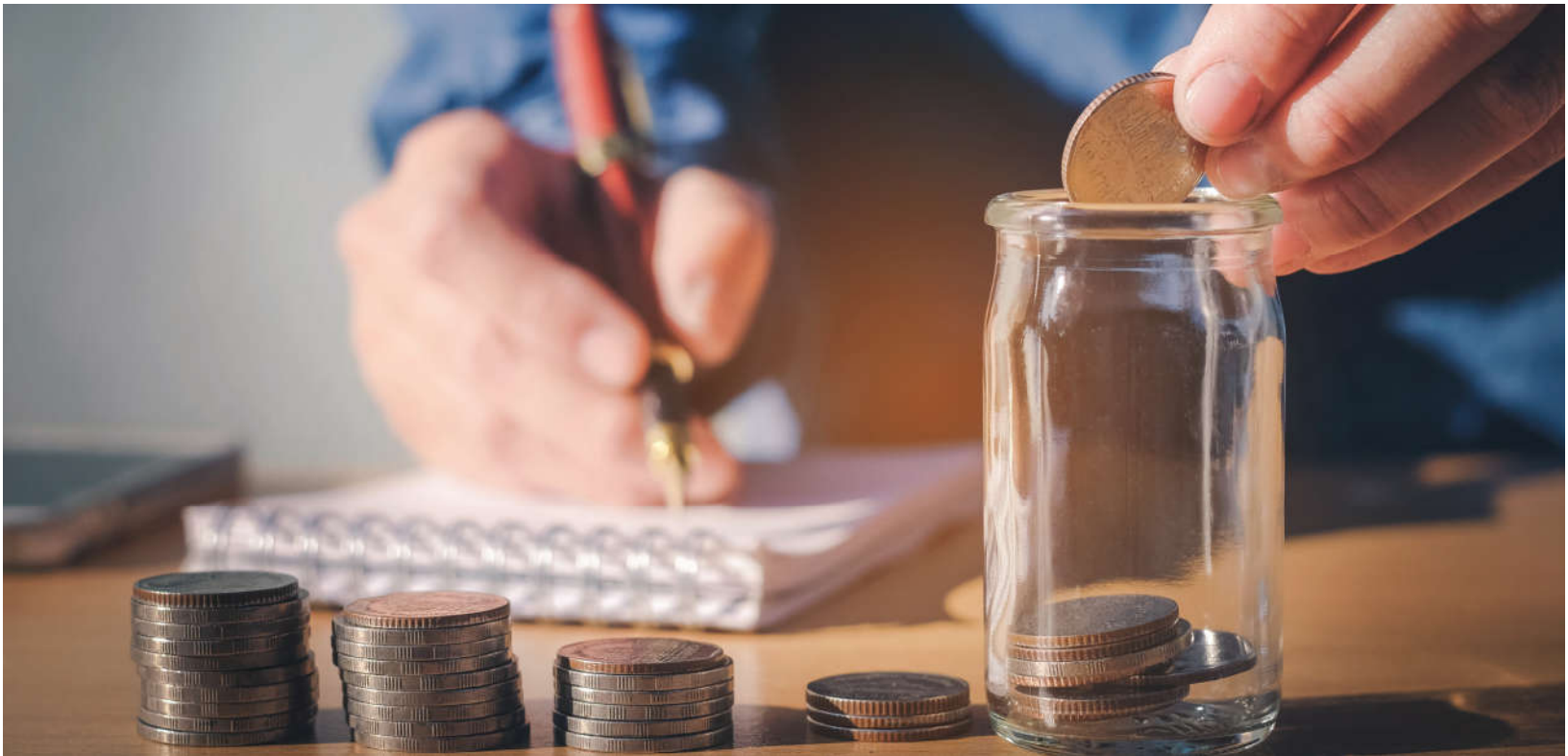
<p>MONTH OF CLOSING JANUARY</p> <p>FIRST PAYMENT DATE: MARCH</p> <p>EST. IMPOUNDS: 6</p> <p>TAXES DUE*: NO</p>	<p>MONTH OF CLOSING FEBRUARY</p> <p>FIRST PAYMENT DATE: APRIL</p> <p>EST. IMPOUNDS: 7</p> <p>TAXES DUE*: NO</p>	<p>MONTH OF CLOSING MARCH</p> <p>FIRST PAYMENT DATE: MAY</p> <p>EST. IMPOUNDS: 2</p> <p>TAXES DUE*: YES</p>	<p>MONTH OF CLOSING APRIL</p> <p>FIRST PAYMENT DATE: JUNE</p> <p>EST. IMPOUNDS: 3</p> <p>TAXES DUE*: YES</p>
<p>MONTH OF CLOSING MAY</p> <p>FIRST PAYMENT DATE: JULY</p> <p>EST. IMPOUNDS: 4</p> <p>TAXES DUE*: NO</p>	<p>MONTH OF CLOSING JUNE</p> <p>FIRST PAYMENT DATE: AUGUST</p> <p>EST. IMPOUNDS: 5</p> <p>TAXES DUE*: NO</p>	<p>MONTH OF CLOSING JULY</p> <p>FIRST PAYMENT DATE: SEPTEMBER</p> <p>EST. IMPOUNDS: 6</p> <p>TAXES DUE*: NO</p>	<p>MONTH OF CLOSING AUGUST</p> <p>FIRST PAYMENT DATE: OCTOBER</p> <p>EST. IMPOUNDS: 7</p> <p>TAXES DUE*: NO</p>
<p>MONTH OF CLOSING SEPTEMBER</p> <p>FIRST PAYMENT DATE: NOVEMBER</p> <p>EST. IMPOUNDS: 2</p> <p>TAXES DUE*: YES</p>	<p>MONTH OF CLOSING OCTOBER</p> <p>FIRST PAYMENT DATE: DECEMBER</p> <p>EST. IMPOUNDS: 3</p> <p>TAXES DUE*: YES</p>	<p>MONTH OF CLOSING NOVEMBER</p> <p>FIRST PAYMENT DATE: JANUARY</p> <p>EST. IMPOUNDS: 4</p> <p>TAXES DUE*: NO</p>	<p>MONTH OF CLOSING DECEMBER</p> <p>FIRST PAYMENT DATE: FEBRUARY</p> <p>EST. IMPOUNDS: 5</p> <p>TAXES DUE*: NO</p>

*if taxes due says yes, taxes to be collected will be the number of estimated impounds PLUS 6 months.

Insurance

The bank pays for a 12-month period of insurance up front starting from beginning of the insurance policy. For example, if you close on your home in June, the 12-month period would be June through May of the following year. Your total premium is broken out into a monthly payment that is included in your monthly mortgage payment. The insurance portion is deposited in your escrow account each month so that your premium can be paid in full when due.

If you choose not to have an escrow account, most banks will still require the first year of insurance be paid up front and may charge a fee that results in a higher interest rate.



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