Escrow Analysis Frequently Asked Questions

1. **What is an escrow account?**
   An escrow account is a fund set up on the borrower's behalf to pay property taxes, property insurance, and/or mortgage insurance. An escrow account provides a better way to budget property tax and insurance payments by making smaller monthly deposits instead of having to come up with a lump sum when the bills are due. It ensures all taxes and insurance are paid on time.

2. **Why did I receive this Escrow Account Disclosure Statement?**
   At least once a year, we review your escrow account to determine if the escrow portion of your monthly mortgage payment is sufficient to cover the annual requirements for your real estate taxes and any applicable insurance. We are required under the Real Estate Settlement Procedures Act (RESPA) to disclose to you, in an Escrow Account Disclosure Statement, the results of this review, and how it affects your monthly mortgage payment. Occasionally, we may provide you with an interim statement in order to maintain compliance with RESPA.

3. **What is an escrow cushion?**
   An escrow cushion is an additional balance in the escrow account ensuring that there is always enough money in the account to cover expenses for the property. This is the lowest the balance in your escrow account should ever fall, assuming no unexpected increases or additional payments occur during the year.

4. **Why does my escrow payment change every year?**
   Property taxes and homeowner's insurance amounts fluctuate every year; therefore, escrow payments need to be adjusted either up or down to accommodate any unexpected changes. This could be an increase from the previous year or a decrease based on the circumstances of the previous year.

5. **How exactly does escrow analysis determine a shortage/surplus?**
   The shortage or surplus on your escrow account is calculated by adding up the total of all projected disbursements to be paid from your escrow account between October of the current year, and September of the next year. This total is then divided by 12 to arrive at the "base" or monthly escrow payment needed. This base escrow payment is then multiplied by 2 months to determine the required "cushion" to be kept in the escrow account throughout the year. Your current escrow balance will have any expected escrow payments added and any insurance disbursements expected in June subtracted. This creates the "Current Balance Projection." The difference between the "Current Balance Projection" and the "Required Balance Projection" is the shortage or surplus amount. The "Required Balance Projection" is calculated by determining the balance needed at the beginning of the escrow year, after all 12 base escrow payments are made, all projected disbursements are paid, and the escrow account never drops below the required cushion.

6. **Can I fund my escrow account with enough money to keep my payment the same?**
   The minimum amount an escrow payment can be is the total amount of all payments to be made for the year divided by 12 months. If there are extra funds in the escrow account above what is required to pay the disbursements for the year, Home Federal Bank is required by regulation to disburse the overage back to the borrower, if the amount is over $50.

7. **Can I close my Escrow Account?**
   There are various requirements that must be met in order to close your escrow account. If you would like your account to be reviewed to determine if it meets the requirements to close escrow, please contact your Relationship Banker or submit a written request to the following address:

   Home Federal Bank
   ATTN: Escrow Administration
   1602 Cumberland Ave.
   Middlesboro, KY 40965

8. **Whom do I contact if I have questions?**

Taxes:	Contact your local assessor's office.
Insurance Premiums:	Contact your insurance agency.

   To speak with a Home Federal Bank Customer Service Professional about your account, call us at 606-248-1095 or toll free at 1-800-354-0182, Monday through Thursday, 8:00AM-4:00PM and Friday, 8:00AM-6:00PM.