What is an Escrow Account?
Escrow accounts are generally required and controlled by a mortgage lender to guarantee that a homeowner is able to budget, on a monthly basis, the additional costs associated with owning a home. Typically, these expenses include, but are not limited to, property taxes, homeowners insurance, flood and optional insurance, as well as private mortgage insurance (PMI). An escrow account provides a convenient, no-hassle service by allowing Valley National Bank to pay your tax bills and insurance premiums for you. Escrow accounts protect both Valley, and our customers.

What is an Escrow Analysis?
Every year an escrow analysis is performed on your escrow account. This is an examination of your account to determine if the current monthly deposits will provide sufficient funds to pay your taxes and insurance for the next full year, as well as provide the appropriate cushion. The escrow analysis identifies any overages, shortages, or deficiencies that exist at the time the analysis is performed, and adjusts the total monthly payment accordingly.

How is my escrow payment calculated? Can Valley National Bank make any adjustments?
The escrow payment is calculated as required by the Real Estate Settlement and Procedures Act (RESPA). Valley estimates the amount we will have to pay over the next 12 months for your real estate tax and homeowner’s 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. However, if the annual amount has changed for any escrowed item reflected on the statement, the bank may perform a new escrow analysis to correct your monthly escrow payment. If these costs have changed, please notify Valley National Bank at 800-525-0958.

Why did my payment change?
The annual amount required to fund your escrow account depends on the amounts that your insurance company and taxing authority office invoices Valley National Bank. Since these amounts may change, the escrow payment may also change. Please see your escrow analysis for more information.

What is a shortage?
Escrow shortages occur when your real estate taxes or insurance premiums increase, or turn out to be higher than originally projected at loan closing. If this occurs, there will be a shortage in your escrow account, and additional funds must be collected to satisfy the shortage.

How do I pay my shortage?
If the shortage is greater than one monthly escrow installment, Valley will collect the amount over a 12 month period. If the shortage is less than one monthly escrow installment, Valley will collect the amount over one month. You may also choose to pay the shortage in full by sending the required payment amount (clearly identified as a shortage payment) separately or with your current required monthly mortgage payment. You may also pay by telephone by calling Valley’s customer service department using the number listed on your statement. (A fee may apply for telephone payments.)

Will my escrow payment amount remain the same if I pay my shortage in full?
Even if you pay your shortage in full, your monthly escrow payment will still change if your annual real estate taxes or insurance premiums change.

What is a surplus?
If your real estate taxes or insurance premiums are less than the projected amounts, it could result in a surplus in your escrow account. This means that your escrow account has more funds than will be needed to pay your escrowed items over the coming year, including the cushion. You will be reimbursed the entire amount if the surplus is $50.00 or more. A surplus under $50.00 will be placed into your escrow account and your monthly escrow payment will be reduced accordingly.

What is a deficiency?
If the actual, final escrow balance is negative, it is called a deficiency. Both a shortage and a deficiency will increase your monthly escrow payment unless you choose to pay these amounts in full immediately.

How do I pay my deficiency?
If the deficiency is greater than one monthly escrow installment, Valley will collect the amount over two months. If the deficiency is less than one monthly escrow installment, Valley will collect the amount over one month.

What does cushion mean?
The cushion is the amount of money that a mortgage lender requires a borrower to pay into an escrow account to cover unexpected disbursements for escrow items, or for disbursements that have to be made before the monthly escrow payments are available in the escrow account. The cushion for your account is shown as the “REQUIRED LOW BALANCE” on your annual Mortgage Escrow Account Statement. The amount of your cushion is governed by applicable law and the terms of your mortgage loan.

When I closed my loan I paid real estate taxes and insurance as part of my closing costs. Why are you collecting funds for bills I already paid? The tax or insurance payments you made at closing were for required disbursements that were due immediately after closing, or to fund the initial required amounts for 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.

What can I do to keep my escrow payment from increasing?
You should review your annual real estate tax assessment and discuss any concerns or discrepancies with your local taxing authority. You may qualify for exemptions that you are not aware of. You may also consider obtaining competitive quotes for homeowner’s insurance to ensure you are receiving the best premium for the amount of your coverage.

What if I have questions about my monthly mortgage payment?
Please contact Valley National Bank Mortgage Servicing at 800-525-0958, Monday through Friday, 8:30 AM – 4:30 PM EST.

Understanding Escrow Analysis
Frequently Asked Questions

The Perfect Fit
800-522-4100
valleynationalbank.com
Low Balance Summary: The difference between your Projected Starting Balance and Required Escrow Balance is the Shortage/Deficiency (also shown above in Escrow Balance Comparison). If your escrow account has an escrow shortage greater than one monthly escrow installment, Valley will collect the amount over a 12 month period. If the shortage is less than one monthly escrow installment, Valley will collect the amount over one month. If your escrow account has a deficiency greater than one monthly escrow installment, Valley will collect the amount over two months. If the deficiency is less than one monthly escrow installment, Valley will collect the amount over one month. Once received, your monthly payment will be reduced and will be reflected on your next billing statement. However, if you would also like an updated escrow analysis statement reflecting the new payment amount, please let us know.

Anticipated Escrow Disbursement: Total projected escrow disbursement for the coming year.

Prior year Payment: Prior years total payment to include escrow, principal and interest.

Comparing Prior Escrow Projections to the Actual Escrow Payments: This section compares the escrow activity that was projected at the time of your last escrow analysis with the actual escrow account activity. There are three major components:
1. Payments to Escrow (Projected vs. Actual)
2. Payments from Escrow (Projected vs. Actual)
3. Escrow Balance (Projected vs. Actual)

*The difference between the projected amounts and the actual amounts paid will affect the total escrow account shortage or surplus.