Understanding Your Annual Escrow Analysis

New Payment: This section shows your Current Monthly Payment compared with your New Monthly Payment.

If there’s a shortage in your escrow account, we automatically spread that shortage over 12 months and add it to your New Monthly Payment. If the shortage is less than one month’s escrow payment, you may also have the option to pay it in one lump sum. If so, the Alternative Monthly Payment will show you what your payment will be if you choose to pay the shortage in one lump sum instead. Your monthly escrow payment may still increase due to changes in your annual tax assessments and insurance premiums.

**Item 1: New Monthly Escrow Amount** shows the breakdown of the escrow portion of your monthly mortgage payment. It’s calculated by adding your anticipated annual taxes, insurance and any other escrow items, then dividing that amount by 12.

**Item 2: Escrow Reserve Requirement** shows how we calculate if any adjustments are required in your Escrow Reserve balance for the coming year. The Allowable Low Balance is the minimum amount you must maintain in your escrow account during the next 12 months. The Projected Low Balance is the lowest calculated balance based on anticipated payments and activity shown in Item 4. If the Projected Low Balance is greater than the Allowable Low Balance, you have an Escrow Surplus. If it’s $50 or more, you may be entitled to a refund. If the Projected Low Balance is less than the Allowable Low Balance, there’s a shortage and an Escrow Increase may be required.

Optional Escrow Payment Coupon: If an Escrow Increase is required due to a shortage, you may have the option to pay it in one lump sum. If you’d like to opt for the Alternative Monthly Payment, you may send your Optional Escrow Payment with the attached coupon or pay online at navyfederal.org. If you have an Escrow Surplus, you may see a check in this section or notification that your surplus has been deposited into your designated Navy Federal account.

**Item 3: Escrow Account History** shows all escrow account transactions since your last escrow analysis statement. An asterisk (*) shows any actual amounts that varied from the projected amount.

**Item 4: Escrow Account Projections For The Coming Year** shows the anticipated Escrow Disbursements and Escrow Deposits over the next 12 months. The Projected and Allowable Low Balances can be seen here. These figures are used to calculate if any required escrow increase or surplus shown in Item 2.

Turn over for a complete list of glossary terms.
GLOSSARY

**Allowable Low Balance**
an amount equal to your escrow reserve; this is the minimum balance you’re required to maintain each month and is used when calculating the projections for the coming year to determine if any additional funds should be added or refunded from the account

**Escrow Deposit**
a payment into the escrow account; on an escrow analysis, it’s assumed that the monthly payments, including the full escrow portion, are made on time each month

**Escrow Disbursement**
a payment issued out of the escrow account, such as for property taxes or insurance premiums

**Escrow Increase Required**
occurs when the Projected Low Balance is less than the Allowable Low Balance; this indicates a shortage in the escrow account of the given amount

**Escrow Reserve**
a cushion of funds we’re required to maintain in your escrow account to cover unanticipated costs, such as tax or insurance increases. The amount of the reserve is equal to 1 or 2 months of escrow payments, depending on the terms of your loan.

**Escrow Surplus**
occurs when the Projected Low Balance is higher than the Allowable Low Balance; this indicates there are extra funds in the escrow account that may be refunded

**Projected Low Balance**
the lowest amount that would be in the escrow account within the next 12 months, provided that all payments to and from your escrow account are completed as expected