### **Escrow Disclosure Statement**

The following pages will provide you with samples of the Escrow Disclosure Statement and letter of explanation that were recently sent to our contract holders. The Escrow Disclosure Statement reflects the activity for the current fiscal year for the escrow accounts and the projected activity for the next fiscal year along with any changes or refunds due. We have samples of both a disclosure for an account with a refund and an account with a shortage.

In addition, we have provided some frequently asked questions and answers to assist you in your understanding of the Escrow Disclosure process. Should you require further information, you may reach us at our email address <a href="loanserv@cdva.ca.gov">loanserv@cdva.ca.gov</a>, or our mailing address at P.O. Box 942895, Sacramento, CA 94295-0001 or by calling 1-800-952-5626.

- I. Cover Letter
- II. Example of an Escrow Disclosure Statement with a Refund
- III. Example of an Escrow Disclosure Statement with a Shortage
- IV. Questions and Answers about your Escrow Disclosure Statement

#### DEPARTMENT OF VETERANS AFFAIRS DIVISION OF FARM AND HOME PURCHASES

POST OFFICE BOX 942895 SACRAMENTO, CALIFORNIA 94295-0001

Telephone: (916) 503-8362 Toll Free (800) 952-5626

June 29, 2004

Enclosed is the Escrow/Impound (impound) Disclosure Statement (Statement) for your CalVet loan. It reflects all receipts and disbursements from your impound accounts from August 1, 2003, through July 31, 2004 and the projected receipts and disbursements from your impound accounts for the next fiscal year. The Statements are produced in a manner that complies with federal law.

The top portion of the Statement provides the information used to project the amounts needed in your impound accounts for the twelve-month period (fiscal year) beginning August 1, 2004. The information is based upon actual amounts paid out during the 2003-2004 fiscal year. Compare the "New Escrow" on the first page of the Statement with the "Previous Escrow" under Actual Activity to see how your monthly installment was affected. If your impound accounts balance exceeds the two-month cushion (target balance) by \$50.00 you will receive a refund providing your account is not 30 days or more delinquent; any excess less than \$50.00 will remain in your impound accounts balance and simply reduce your monthly impound installments. All refunds will be issued by the end of August 31, 2004 and will include 2% interest, as required by law.

**PLEASE NOTE**: If you receive a large refund and you recently purchased or built a new home, we may not have paid a tax bill assessed at the newly appraised rate, and/or a Supplemental Tax Bill may be pending. Due to the refund, CalVet will not have the funds to pay a Supplemental Tax Bill and payment will be your responsibility. Therefore, you should check with your local County Tax Collector to determine if a Supplemental Tax Bill is pending before you spend your refund. Because newly built and newly purchased homes may take two complete tax years before we pay a fully assessed bill, we will be comparing the actual tax bill paid to the appraised value of your property and basing our next year's tax projection on the higher of the two.

Increases to your **New escrow** can be caused by **one or both** of the following reasons; #1 the total projected payments from escrow for the next year are higher than the **projected** payments last year; #2 there is a shortage in the impound account caused by the difference between your ending balance in July versus the starting balance for the projected escrow beginning in August. If your Statement reflects an increase in the **New escrow** versus the **Previous escrow** you may subtract the two and multiply the difference by 12 to pay the **increase in a lump sum** to avoid an increase in your monthly installment, you may submit your check and request to the address listed below.

Changes to your monthly installment, as indicated in your Statement, will be reflected on your August 1, 2004 billing statement. We are sending the Statement this month to provide you sufficient time for review prior to any changes taking place. The Statement assumes timely receipt of payments through July 31, 2004.

If you have questions we prefer your inquiries be in writing. They may be addressed to CalVet Contract Services Unit, P.O. Box 942895, Sacramento, CA 94295-0001, or sent by E-mail to <a href="loanserv@cdva.ca.gov">loanserv@cdva.ca.gov</a>. You may telephone the Contract Services Unit at the numbers listed in the letterhead. However, we may be unable to provide an immediate answer by telephone, depending upon the complexity of the question.

We appreciate your business and thank you for being a CalVet customer.

MARGO OAKES, Manager Contract Services Unit

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### **Escrow Disclosure Statement**

Analysis from: 08/01/2004 to 07/01/2005 for Coming Year Account No: xxxxxxx

2,428.13 12	Total Projected Payments from Escrow Divide by Number of Months in Analysis Period			
202.34	Equals the Projected Payr	•		
404.68		be Greater than 2 Escrow Payments)		
571.94	•	e to achieve the Target Balance		
626.19	Subtract Projected Startin	Subtract Projected Starting Balance		
-54.25	Your account is showing a surplus of \$54.25. We are sending you a check for the surplus.			
New P&I	New Escrow	New Payment		
566.67	202.34	769.01		

Month	Payments to Escrow	Payments from Escrow	Description	Required Balance
			STARTING BALANCE	571.94
August	202.34	16.93	Ins. Mandatory Life - Std	757.35
August	0.00	18.20	Ins. Disability Vet - Std	739.15
Septembe:	r 202.34	16.93	Ins. Mandatory Life - Std	924.56
Septembe:	r 0.00	18.20	Ins. Disability Vet - Std	906.36
October	202.34	16.93	Ins. Mandatory Life - Std	1,091.77
October	0.00	18.20	Ins. Disability Vet - Std	1,073.57
November	202.34	16.93	Ins. Mandatory Life - Std	1,258.98
November	0.00	18.20	Ins. Disability Vet - Std	1,240.78
December	202.34	16.93	Ins. Mandatory Life - Std	1,426.19
December	0.00	18.20	Ins. Disability Vet - Std	1,407.99
December	0.00	736.01	Property Taxes	671.98
January	202.34	16.93	Ins. Mandatory Life - Std	857.39
January	0.00	18.20	Ins. Disability Vet - Std	839.19
February	202.34	16.93	Ins. Mandatory Life - Std	1,024.60
February	0.00	18.20	Ins. Disability Vet - Std	1,006.40
March	202.34	16.93	Ins. Mandatory Life - Std	1,191.81
March	0.00	18.20	Ins. Disability Vet - Std	1,173.61
March	0.00	392.00	Fire & Hazard Insurance	781.61
April	202.34	16.93	Ins. Mandatory Life - Std	967.02
April	0.00	18.20	Ins. Disability Vet - Std	948.82
May	202.34	16.93	Ins. Mandatory Life - Std	1,134.23
May	0.00	18.20	Ins. Disability Vet - Std	1,116.03
May	0.00	142.55	Disaster Indemnity Premiums	973.48
June	202.34	16.93	Ins. Mandatory Life - Std	1,158.89
June	0.00	18.20	Ins. Disability Vet - Std	1,140.69
June	0.00	736.01	Property Taxes	404.68
July	202.34	16.93	Ins. Mandatory Life - Std	590.09
July	0.00	18.20	Ins. Disability Vet - Std	571.89

Actual activity from: 08/01/2003 to 07/31/2004 for Previous Year

Previous P&I	Previous Escrow	Previous Payment	Interest on Escrow
566.67	211.23	777.90	13.36

Month	Payments to Escrow	Payments from Escrow	Description	Balance
August	0.00	18.55	Ins. Mandatory Life - Std	699.11
August	0.00	16.81	Ins. Disability Vet - Std	682.30

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Month	Payments to Escrow	Payments from Escrow	Description	Balance
Septem	,	18.55	Ins. Mandatory Life - Std	663.75
Septem	ber 0.00	16.81	Ins. Disability Vet - Std	646.94
Septem	ber 211.46	0.00		858.40
Octobe	r 0.00	18.55	Ins. Mandatory Life - Std	839.85
Octobe	r 0.00	16.81	Ins. Disability Vet - Std	823.04
Octobe	r 211.46	0.00		1,034.50
Novemb	er 0.00	18.55	Ins. Mandatory Life - Std	1,015.95
Novemb	er 0.00	16.81	Ins. Disability Vet - Std	999.14
Novemb	er 211.46	736.01	Property Taxes	474.59
Decemb	er 0.00	18.55	Ins. Mandatory Life - Std	456.04
Decemb	er 0.00	16.81	Ins. Disability Vet - Std	439.23
Decemb	er 211.46	0.00		650.69
Januar	-	18.55	Ins. Mandatory Life - Std	632.14
Januar	у 0.00	16.81	Ins. Disability Vet - Std	615.33
Januar	y 211.46	0.00		826.79
Februa	ry 0.00	16.93	Ins. Mandatory Life - Std	809.86
Februa	-	18.20	Ins. Disability Vet - Std	791.66
Februa	=	0.00		1,002.89
March	0.00	392.00	Fire & Hazard Insurance	610.89
March	0.00	16.93	Ins. Mandatory Life - Std	593.96
March	0.00	18.20	Ins. Disability Vet - Std	575.76
March	211.23	736.01	Property Taxes	50.98
April	0.00	16.93	Ins. Mandatory Life - Std	34.05
April	0.00	18.20	Ins. Disability Vet - Std	15.85
April	211.23	0.00		227.08
May	0.00	16.93	Ins. Mandatory Life - Std	210.15
May	0.00	18.20	Ins. Disability Vet - Std	191.95
May	211.23	142.55	Disaster Indemnity Premiums	260.63
June	0.00	16.93	Ins. Mandatory Life - Std	243.70
June	0.00	18.20	Ins. Disability Vet - Std	225.50
June	224.59	0.00		450.09
July	0.00	16.93	Ins. Mandatory Life - Std	433.16
July	0.00	18.20	Ins. Disability Vet - Std	414.96
July	211.23	0.00		626.19

### **Escrow Disclosure Statement**

Account No: xxxxxxx

Analysis from: 08/01/2004 to 07/01/2005 for Coming Year

·			
Equals the Projected Payment	to Escrow		
Target Balance* (Cannot be Gr	eater than 2 Escrow Payments)		
Required Starting Balance to a	chieve the Target Balance		
Subtract Projected Starting Balance			
Your account is showing a shortage of \$115.58.			
We have decided to collect it over 12 months.			
New Escrow	New Payment		
326.34	1,706.92		
	Divide by Number of Months in Equals the Projected Payment Target Balance* (Cannot be Gr Required Starting Balance to ac Subtract Projected Starting Balance Your account is showing a shor We have decided to collect it or	Your account is showing a shortage of \$115.58.  We have decided to collect it over 12 months.  New Escrow New Payment	

Month	Paymer	nts to Escrow	Payments from Escrow	Description	Required Balance
				STARTING BALANCE	641.94
August	;	316.71	37.28	Ins. Mandatory Life - Std	921.37
Septem	mber	316.71	37.28	Ins. Mandatory Life - Std	1,200.80
Octobe	er	316.71	37.28	Ins. Mandatory Life - Std	1,480.23
Novemb	per	316.71	37.28	Ins. Mandatory Life - Std	1,759.66
Decemb	per	316.71	37.28	Ins. Mandatory Life - Std	2,039.09
Decemb	per	0.00	1,405.67	Property Taxes	633.42
Januar	Ŷ	316.71	37.28	Ins. Mandatory Life - Std	912.85
Februa	ary	316.71	37.28	Ins. Mandatory Life - Std	1,192.28
March		316.71	37.28	Ins. Mandatory Life - Std	1,471.71
April		316.71	37.28	Ins. Mandatory Life - Std	1,751.14
May		316.71	37.28	Ins. Mandatory Life - Std	2,030.57
May		0.00	137.76	Disaster Indemnity Premiums	1,892.81
June		316.71	37.28	Ins. Mandatory Life - Std	2,172.24
June		0.00	1,405.67	Property Taxes	766.57
July		316.71	37.28	Ins. Mandatory Life - Std	1,046.00
July		0.00	404.10	Fire & Hazard Insurance	641.90

Actual activity from: 08/01/2003 to 07/31/2004 for Previous Year

Previous P&I	Previous Escrow	Previous Payment	Interest on Escrow
1,380.58	307.42	1,688.00	15.51

Month	Payments to Escrow	Payments from Escrow	Description	Balance
August	0.00	34.79	Ins. Mandatory Life - Std	832.78
August	304.93	245.20	Escrow Refund	892.51
Septem	ber 0.00	34.79	Ins. Mandatory Life - Std	857.72
Septem	ber 304.93	0.00		1,162.65
Octobe	r 0.00	34.79	Ins. Mandatory Life - Std	1,127.86
Octobe	r 304.93	0.00		1,432.79
Novemb	er 0.00	34.79	Ins. Mandatory Life - Std	1,398.00
Novemb	er 304.93	1,405.67	Property Taxes	297.26
Decemb	er 0.00	34.79	Ins. Mandatory Life - Std	262.47
Decemb	er 304.93	0.00		567.40
Januar	y 0.00	34.79	Ins. Mandatory Life - Std	532.61
Januar	y 304.93	0.00		837.54
Februa	ry 0.00	37.28	Ins. Mandatory Life - Std	800.26
Februa	ry 307.42	0.00		1,107.68

#### xxxxxx

Month	Payments to Escrow	Payments from Escrow	Description	Balance
March	0.00	37.28	Ins. Mandatory Life - Std	1,070.40
March	307.42	1,405.67	Property Taxes	-27.85
April	0.00	37.28	Ins. Mandatory Life - Std	-65.13
April	307.42	0.00		242.29
May	0.00	37.28	Ins. Mandatory Life - Std	205.01
May	0.00	137.76	Disaster Indemnity Premiums	67.25
May	307.42	0.00		374.67
June	0.00	37.28	Ins. Mandatory Life - Std	337.39
June	322.93	0.00		660.32
July	0.00	404.10	Fire & Hazard Insurance	256.22
July	0.00	37.28	Ins. Mandatory Life - Std	218.94
July	307.42	0.00		526.36

### ESCROW ANALYSIS AND DISCLOSURE STATEMENT QUESTIONS AND ANSWERS

### Q. I haven't received my escrow refund. Has it been mailed or when will it be mailed?

A. All escrow refunds will be processed during the month of August providing your account is not more than 30 days delinquent. If your account is 30 days or more delinquent and reflects a refund, the refund will be held until the account becomes current or you may request to have the refund applied to your delinquency.

#### Q. My statement says my account is short yet my payment is decreasing, why?

A. Last year, your analysis calculated for a two-month cushion. This year, the analysis is only going to again calculate a two-month cushion based on your current escrow balance and new projections. If the shortage referred to in the box at the top of the disclosure statement is less than last years shortage, then you may find a decrease in your payment even though your account still reflects a shortage this year.

#### Q. Explain cushion.

A. Cushion is the excess monies carried in your impound account that allows us to cover unanticipated disbursements or disbursements made before the borrower's payments are available in the account. Calvet has established a two-month cushion for each Contract Holder for this purpose. This means during the fiscal year your escrow account will never carry a balance less than the total of two monthly escrow payments.

#### Q. Explain the target balance.

A. The target balance is that point during the next fiscal year that your account will reach the total of two monthly escrow payments. This takes into consideration, your required beginning balance, scheduled periodic payments and disbursements. Regulations allow a two-month cushion in an escrow account to cover unanticipated disbursements or disbursements made before the borrower's payments are available in the account.

#### Q. Explain the required starting balance.

A. The required starting balance represents the funds necessary to achieve the target balance in your escrow account during the year when combined with the monthly incoming escrow payments and disbursements. Regulations allow Calvet to require the borrower to repay a shortage in the required starting balance within 30 days or to repay the shortage amount in equal monthly payments over at least a 12-month period. Calvet chose to allow repayment over a 12-month period.

#### Q. How did you arrive at my required starting balance?

A. Projected payments to your escrow account and disbursements from your escrow account along with the requirement of a cushion were programmed into the accounting system. The system then calculated the starting balance necessary to assure the balance in your escrow account would never go below the two-month cushion (target balance) during the year. If you look at the box at the top of the disclosure it will indicate the figure that is the target balance. Now look at the projections for next year on the lower right side of the disclosure and you will see that same figure (target balance) at some point during the next fiscal year from August 1 through July. Using any other starting balance will not allow for this to happen and your account will at some point drop below the required cushion. It should be noted that we are only limiting the minimum balance there is no maximum balance during the year so there will be times that your balance is well above the target balance.

#### Q. What makes up the total projected payments?

**A.** Projected payments represents all the projected disbursements for your loan for the next fiscal year. When divided by 12, it then represents the monthly amount required to meet the projected disbursements. This figure when combined with any shortage of the established two-month cushion will make up your new escrow collection monthly.

# Q. Why is my projected payment to escrow different then the new escrow payment?

**A.** The new escrow payment represents the amount necessary to cover the next fiscal year disbursement projections and the monthly amount necessary to cover the shortage in the two-month cushion (if applicable) that is required to start your escrow balance August 1.

#### Q. Will this be my payment for the rest of the year?

**A.** Yes, however, it should be noted, that The Standard will be renewing their coverage in February and the renewal may cause a change to your monthly payment. Any change will be reflected on your February billing.

### Q. My disclosure statement shows a surplus of (less than \$50). I want it refunded to me.

A. Regulations allow Calvet to credit any surplus amount in an escrow account under \$50 to the next year's escrow impound by reducing the monthly escrow collection. This was determined to be the most prudent and economically feasible choice. There will be no exceptions.

# Q. I want you to keep the refund because I know there will be a Supplemental Tax bill, can you do that?

A. RESPA requires that we refund all excess monies in your impound account that exceed \$50. However, if the refund has not yet been issued my submit a written request by mail or via fax (916 –653-2450) requesting that we place the refund in your tax impound account for payment of a future supplemental tax bill and we will do it. If, however, the refund has already been issued, you will need to return the refund for deposit to your account, you may do so with a written request asking us to deposit your payment to your impound account. Please be sure to make payment under separate check along with a note advising that this payment is to be deposited to your impound account. You should send this payment to the Department of Veterans Affairs, P.O. Box 942895, Sacramento, CA 94295-0001 ATTN: Contract Services.

## Q. It is obvious to me that you did not pay a full tax bill for my property or that your projections are too low, why did you reduce my payment?

A. We are required to project your payments using the actual disbursements made on your account unless we are aware that the prior disbursement does not reflect a full assessment. It is many times difficult for Calvet to be aware if the bill paid is at the fully assessed value, as we cannot examine each bill. If, however, you become aware and want your payment to be increased, we can do so with your written request.

### Q. Why don't you calculate the interest on the impound account monthly so that I receive more interest?

A. The interest is calculated for your escrow account every time an activity occurs, i.e. impound monies are received or a disbursement is made from the impound account. The program to calculate the interest is run when we process the Escrow Disclosure Statement and a total sum of the interest is then added into the escrow account.

#### Q. What is RESPA?

A. RESPA means the Real Estate Settlement Procedures Act of 1974, 12 U.S.C. 2601 et seq. If you have questions regarding RESPA, please direct them to the Director, Office of Consumer and Regulatory Affairs, Department of Housing and Urban Development, 451 7<sup>th</sup> Street SW., Washington, DC 20410-8000.

- Q. I do not want my monthly payment to increase because of the analysis, what can I do?
- A. To avoid an increase in your monthly payment due to a shortage or an increase in the projected disbursements for the next fiscal year, simply subtract the **Previous Escrow** from the **New Escrow** and multiply the difference by 12. You may then send that amount under separate check along with a note advising that this payment is to pay the increase in your **New Escrow** and to keep your payments the same. You should send this payment to the Department of Veterans Affairs, P.O. Box 942895, Sacramento, CA 94295-0001 ATTN: Contract Services.