

# 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 [loanserv@cdva.ca.gov](mailto:loanserv@cdva.ca.gov), 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



**Example I: Escrow Disclosure Statement with Refund**

**Escrow Disclosure Statement**

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

Account No: xxxxxxxx

2,428.13	Total Projected Payments from Escrow
12	Divide by Number of Months in Analysis Period
202.34	Equals the Projected Payment to Escrow
404.68	Target Balance* (Cannot be Greater than 2 Escrow Payments)
571.94	Required Starting Balance to achieve the Target Balance
626.19	Subtract Projected Starting Balance
-54.25	Your account is showing a surplus of \$54.25. We are sending you a check for the surplus.

<b>New P&amp;I</b>	<b>New Escrow</b>	<b>New Payment</b>
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
September	202.34	16.93	Ins. Mandatory Life - Std	924.56
September	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

<b>Previous P&amp;I</b>	<b>Previous Escrow</b>	<b>Previous Payment</b>	<b>Interest on Escrow</b>
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
September	0.00	18.55	Ins. Mandatory Life - Std	663.75
September	0.00	16.81	Ins. Disability Vet - Std	646.94
September	211.46	0.00		858.40
October	0.00	18.55	Ins. Mandatory Life - Std	839.85
October	0.00	16.81	Ins. Disability Vet - Std	823.04
October	211.46	0.00		1,034.50
November	0.00	18.55	Ins. Mandatory Life - Std	1,015.95
November	0.00	16.81	Ins. Disability Vet - Std	999.14
November	211.46	736.01	Property Taxes	474.59
December	0.00	18.55	Ins. Mandatory Life - Std	456.04
December	0.00	16.81	Ins. Disability Vet - Std	439.23
December	211.46	0.00		650.69
January	0.00	18.55	Ins. Mandatory Life - Std	632.14
January	0.00	16.81	Ins. Disability Vet - Std	615.33
January	211.46	0.00		826.79
February	0.00	16.93	Ins. Mandatory Life - Std	809.86
February	0.00	18.20	Ins. Disability Vet - Std	791.66
February	211.23	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

**Example II: Escrow Disclosure Statement with Shortage**

**Escrow Disclosure Statement**

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

Account No: xxxxxxx

3,800.56	Total Projected Payments from Escrow
12	Divide by Number of Months in Analysis Period
316.71	Equals the Projected Payment to Escrow
633.42	Target Balance* (Cannot be Greater than 2 Escrow Payments)
641.94	Required Starting Balance to achieve the Target Balance
526.36	Subtract Projected Starting Balance
115.58	Your account is showing a shortage of \$115.58. We have decided to collect it over 12 months.

<b>New P&amp;I</b>	<b>New Escrow</b>	<b>New Payment</b>
1,380.58	326.34	1,706.92

Month	Payments to Escrow	Payments from Escrow	Description	Required Balance
			STARTING BALANCE	641.94
August	316.71	37.28	Ins. Mandatory Life - Std	921.37
September	316.71	37.28	Ins. Mandatory Life - Std	1,200.80
October	316.71	37.28	Ins. Mandatory Life - Std	1,480.23
November	316.71	37.28	Ins. Mandatory Life - Std	1,759.66
December	316.71	37.28	Ins. Mandatory Life - Std	2,039.09
December	0.00	1,405.67	Property Taxes	633.42
January	316.71	37.28	Ins. Mandatory Life - Std	912.85
February	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

<b>Previous P&amp;I</b>	<b>Previous Escrow</b>	<b>Previous Payment</b>	<b>Interest on Escrow</b>
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
September	0.00	34.79	Ins. Mandatory Life - Std	857.72
September	304.93	0.00		1,162.65
October	0.00	34.79	Ins. Mandatory Life - Std	1,127.86
October	304.93	0.00		1,432.79
November	0.00	34.79	Ins. Mandatory Life - Std	1,398.00
November	304.93	1,405.67	Property Taxes	297.26
December	0.00	34.79	Ins. Mandatory Life - Std	262.47
December	304.93	0.00		567.40
January	0.00	34.79	Ins. Mandatory Life - Std	532.61
January	304.93	0.00		837.54
February	0.00	37.28	Ins. Mandatory Life - Std	800.26
February	307.42	0.00		1,107.68

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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.