



# THE IMPOUND ACCOUNT

## WHAT IT IS AND WHY YOU MAY BE REQUIRED TO HAVE ONE.

An “impound account”, also referred to as an “escrow account” or “reserves”, is a collection of funds, like a forced savings, for the payment of your future property taxes, homeowner’s insurance and mortgage insurance (if applicable).

In California, lenders are required to set up reserves for you and “impound” the necessary amount to pay these three items on your behalf when your conventional loan is a 90% loan-to-value or more on a single-family, owner-occupied residence.

### THE PURPOSE OF AN IMPOUND ACCOUNT

The purpose of an impound account is to make sure you don't get behind on payments for these three items. The lender’s goal is to always have sufficient funds in your impounds account to pay these bills as they come due. Some lenders may require an extra 2-month cushion of funds to be sure your account is never caught short.

The amount of funds to impound is determined by estimating your property taxes, homeowner’s and mortgage insurance premiums for the year. This amount is then divided by 12 to determine the amount to be added to your monthly mortgage payment to cover these costs. These extra funds go into your impound account.

Most lenders will give you the opportunity to choose to have reserves set up this way, and many people find it a convenient method to handle this expense of home ownership. Some lenders even offer to reduce your loan origination fee if you obtain an impound account.

Title insurance from Chicago Title is another great way to safeguard your investment. Call me today to learn more.



# Chicago Title

*It's Your Choice!*

[www.ChicagoTitle.com](http://www.ChicagoTitle.com)