

# Escrow Explained

If you've elected to have your insurance(s) and/or taxes paid by FNC Bank, you will have an escrow account set up to manage these payments. Reviewing this information will help you to better understand how an escrow account works.

## What an Escrow Account?

A mortgage escrow account is a financial account set up by FNC Bank to hold funds for property taxes and insurance. The bank collects a portion of these costs with your monthly mortgage payment and pays these expenses on your behalf when due.

## How is my monthly mortgage payment determined?

Your monthly mortgage payment consists of principal, interest, and escrow (insurance &/or property taxes).



Because taxes and insurance costs can fluctuate, we review your escrow account at least once every 12 months to ensure it has sufficient funds to cover these essential payments on your behalf. We calculate your total projected tax and/or insurance expenses for the upcoming year, then divide that amount by 12 to determine your monthly escrow deposit amount.



Taxes and/or insurance can change throughout the year.

Taxes and/or insurance  $\div$  12



(Over)



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## What is included in my escrow statement?

Your escrow statement provides a detailed breakdown of your monthly mortgage payment, including your principal and interest, which remain unchanged by the escrow analysis. It may also include:

- **Mortgage Insurance:** If you have mortgage insurance, it will be included in your escrow payment.
- **Homeowners insurance:** These costs may vary depending on your coverage. To potentially lower this cost, consider reaching out to your local agent or exploring your state's insurance plan.  
\*\*\*If you switch insurance carriers, please notify FNC Bank immediately. Note that any refund from your previous insurance company will be sent directly to you. It's recommended to deposit those funds into your escrow account to help prevent a potential shortage.
- **Property taxes:** These costs are set by your local taxing authority. For questions about their assessment of your property value, you should contact them directly.

## What if my Escrow Account is short funds?

In most cases, you're required to maintain a minimum balance in your escrow account equal to one month's escrow payment. If your account is projected to dip below this minimum, you'll have a shortage that needs to be addressed. This shortage is typically divided by 12 and added to your monthly payment.

## How do I pay the shortage versus having it added to my monthly payment?

To manage changes to your payment, you have the option to pay all or part of the shortage upfront. However, keep in mind that your monthly payment may still increase if your taxes or insurance costs have risen.

To make an escrow shortage payment, simply submit it like a regular payment, but include a note specifying that it should be applied to your escrow account. If there's a surplus of funds in your escrow account, a refund check will be mailed to you along with your annual escrow analysis paperwork. This paperwork is sent each year in a large yellow envelope.

If you have questions, please contact your Loan Officer or our mortgage team at: 715-246-9601, 1-800-514-3412, or [MortgageOps@FNC.Bank](mailto:MortgageOps@FNC.Bank)

### Monthly payment breakdown

	CURRENT payment	NEW payment
Principal & Interest	\$ [REDACTED]	\$ [REDACTED]
Mortgage Insurance	\$ [REDACTED]	\$ [REDACTED]
Homeowner's Insurance	\$ [REDACTED]	\$ [REDACTED]
Property Tax	\$ [REDACTED]	\$ [REDACTED]
<b>Shortage</b>	<b>\$ [REDACTED]</b>	<b>\$ [REDACTED]</b>

### Total payment amount

CURRENT payment	NEW payment
\$ [REDACTED]	\$ [REDACTED]



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